Annual Report

'08'09

efama

European Fund and Asset Management Association

Contents

efama

European Fund and Asset Management Association

President's Statement

When I was elected President two years ago, I presented an agenda with six priorities for my forthcoming term:

- Realisation of a single market for all savings products, including the creation of a real level playing field
- Adoption of UCITS IV before the end of the current terms of the EU Parliament and Commission
- Global establishment of the UCITS brand
- Emphasising the role of asset management in the discussion on retirement provision
- Implementation of the EFAMA technical standards
- Strengthening the EFAMA secretariat

I realised I would be faced with some tough challenges, but little did I imagine the onslaught on the industry when hit by the worst financial crisis in living memory just two months into my presidential term.

We all recall the start of the "liquidity crisis" in August 2007, which gravely affected the industry and thus EFAMA's work. EFAMA's activities have since been dominated by issues directly relating to the crisis. I will not discuss these issues further at this point as they are detailed at length in the "Activity Report" hereafter with a review of the crisis and its impact on our industry.

Instead, I would like to come back to my initial agenda, leaving out the technical details, and underline the huge amount of progress achieved despite the extremely tough events all industry participants had to face. I would like to congratulate all individuals from the European Commission's services, the European Parliament, the various Commission Presidencies, in particular the French Presidency, CESR and, last but not least, EFAMA's secretariat on their dedicated work in very difficult conditions, and without whom these achievements would not have been possible.

The single market and level playing field

I remember the Commission's scepticism regarding this issue when it was first raised by my predecessor, Stefan Bichsel. Who would have imagined that not even four years later the Commission would issue a "Communication on Packaged Retail Products", calling for a horizontal approach to mandatory disclosures and selling practices regarding these products?

UCITS IV

The Commission's Exposure Draft was published right at the start of my term. We were all very confident that its transposition into a proposal for a Directive would only be a matter of time. The heated political discussions and the stalemate that followed in the spring of 2008 were unexpected.

Nevertheless, we persevered and continued working behind the scenes. Finally, thanks to a very dedicated French Presidency and a very strong position of the European Parliament, we achieved not only a proposal but also its adoption, just in time.

The UCITS brand

We did not rest on the achievements of previous years, but kept up our efforts! EFAMA's mission to Singapore, Taipei and Hong Kong in late 2007 which I had the honour to lead contributed to strengthen the UCITS brand in Asia and to establish with the local industry and the local authorities a friendly and trustworthy relationship.

Asset management and pensions

Admittedly, it is difficult in the current environment to promote defined contribution as the ideal solution for pension savings and efficient payout schemes. However, the two studies commissioned by EFAMA to Oxera and Professor Maurer from the Goethe University in Frankfurt will help pave the way for a more important role of asset management in the pensions area. There is a need for greater flexibility in the asset allocation of defined-contribution schemes, in particular in countries where a large part of retirement income is already annuitized. Without greater competition and assets managers entering the 2nd and 3rd pillar pension-market, in particular in the field of payout schemes, this cannot be achieved.

EFAMA technical standards

This is an area where perhaps relatively limited progress was made, with the exception of the implementation of the technical standards adopted by EFAMA (mainly the Fund Processing Passport ('FPP') and fund classification). Despite the efforts of EFAMA's secretariat, implementing pan-European standards/procedures on a voluntary basis remains a slow process, even if their necessity is generally accepted.

EFAMA secretariat

As with my direct predecessors, Wolfgang Mansfeld and Stefan Bichsel, one of my chief priorities was the strengthening of EFAMA's secretariat to ensure it was in a position to tackle the many challenges ahead and to improve the services to its membership. In this, I commend the Association's selection of Peter De Proft as its new Director General. Also, retaining Steffen Matthias as Senior Advisor to support him demonstrated the Association's commitment to continuity on the one hand and a remarkable strengthening of EFAMA's efficiency and reputation on the other.

Finally, none of these achievements would have been possible without the dedication of our members, the strong support of our Board of Directors and the excellent work of our secretariat. This small team has delivered outstanding results over the past two years which have been marked by the toughest financial market crisis in decades and a steadily growing regulatory agenda.

In closing, on a personal level it has been a pleasure, albeit challenging, to serve EFAMA for two terms, first as Vice-President and then as President. Together, we have achieved much more than we could have anticipated four years ago; I recommend to read the next chapters of this Report for a full description of these achievements.

I wish EFAMA all the success it deserves and I am looking forward to continuing working together and supporting its initiatives.

Mathias Bauer
President
June 2009

Director General's Statement

If a symbol were to be chosen for the reporting period 2008/09 for EFAMA and the asset management industry in general, the Janus head would undoubtedly be an appropriate one: Janus was the patron of concrete and abstract beginnings, he was frequently used to symbolise change and transition such as the progression of past to future, of one condition to another, of one vision to another and of one universe to another. He had the gift to see both future and past.

From a sales point of view the year 2008 was an "annus horribilis" with another four consecutive quarters of net outflows recorded by UCITS following the outbreak of the global financial crisis during the summer of 2007. For the asset management industry the effects of the financial crisis led to the feeling that "the lights had gone out". Fortunately, the first quarter of 2009 showed signs of recovery, which stopped the bleeding and saw net inflows into UCITS for the first time in one and a half years.

In all modesty it can be stated that the asset management industry is back in the light; of course the implications of the current crisis on industry trends are groundbreaking. The crisis has caused significant changes in customer behaviour and industry dynamics. There is still significant uncertainty in the outlook for the asset management industry:

- the industry faces profitability pressure following the unprecedented outflow levels and assets under management meltdown;
- the retail customer confidence has been hard hit, leading to profound risk aversion and demand for firm guarantees;
- actively managed products are being further squeezed by passive products - ETFs;
- at the same time the alpha/beta separation is continuing and the frontiers between hedge funds and private equity are being redefined: asset management, UCITS, wealth management are winning back territory.

So the asset management landscape will look significantly different from today with demand behaviour patterns of retail and institutional investors moving into different directions.

It goes without saying that regulatory attention will be increasing significantly, with capital requirements being strictly enforced across the financial services industry. Building on the recommendations of the de Larosière Group's Report, the European Commission's Communication[1] set out an action plan for reforming the way financial markets are regulated and supervised. The Commission has already taken a series of measures to implement regulatory reform, with important initiatives on alternative investment funds, including hedge funds and executive remuneration.

We at EFAMA are convinced that the asset management industry is perfectly capable of dealing with the debris of the storm on the financial markets. The industry's value creation is based on strong fundamentals to clients and shareholders and the asset management industry's strong fundamentals will persist in the long term.

At the same time it will be EFAMA's role and mission to be an active and reliable partner with the European Commission, legislators, regulators, CESR, the ECB and all parties involved, with the aim of helping to create the regulatory environment where the asset management can function in a single market to the benefit of the retail and institutional customer.

I very much would like to thank our departing President, Mathias Bauer, for his efficient, thoughtful, discreet and firm leadership during the last two years. As new Director General it has been a privilege to work with Mathias as a leader and a friend, in sometimes difficult circumstances during the crisis. Together with the Vice-President, Jean-Baptiste de Franssu, they formed a complementary team and the achievements are impressive, not the least in steering the EFAMA ship through the crisis.

Peter De Proft
Director General
June 2009

1 Communication from the Commission on European financial supervision [Com(2009) 252 final]

Activity Report 2008/09

EFAMA achieved substantial progress in 2008 and the first four months of 2009 in its overall mission to:

- support a high level of investor protection;
- promote the completion of an effective single market for investment management including the creation of a level playing field for competing savings and investment products;
- strengthen efficiency and competitiveness of the industry.

It focused its energies on strategic topics such as:

- Fund regulation
- Creation of a level playing field for competing substitute savings and investment products
- Taxation
- Pensions
- Statistics & economic research
- Technical industry standards
- Communication

But of course, the main focus was on the global financial and economic crisis in the wake of the liquidity crisis of 2007, the bankruptcy of Lehman Brothers in September 2008 and the Madoff collapse shortly after.

I. Lessons from the liquidity crisis and the Madoff collapse

The subprime or credit market crisis that started in mid-summer 2007 led to serious market turmoil and severe consequences for the asset management industry. A new peak was reached in September 2008 when Lehman Brothers declared bankruptcy. Stock markets crashed and nearly all large banks across the globe were left with portfolios of worthless securities. Late 2008 saw the financial crisis hitting the 'real economy', though by early spring 2009 the worst seemed to be over, at least as far as the liquidity crisis was concerned.

Towards the end of 2008 it became clear that the crisis would have a significant impact on the regulatory framework for financial services not only at European level, but through the G 20 initiative at a global level as well. As far as Europe was concerned, the European Commission stated in no uncertain terms that the industry would have to accept the fact that more regulation was needed and that simply offering more self-regulation would not be sufficient. One of the challenges for EFAMA will be to avoid having "over-regulation".

As if this were not enough, in late December 2008 the European investment fund industry was seriously shaken by a huge fraud scandal in the United States, the 'Madoff Affair', calling into question one of the key pillars for investor protection in the UCITS regulatory framework: the UCITS depositary.

Impact of the financial crisis on the fund and asset management industry

1. *Macro impact of the crisis*

1.1. In terms of flows the crisis led to a massive retreat for six quarters in a row (summer 2007 up to the end of 2008) but flows have stabilised since the end of 2008.

- The first impact of the financial crisis became apparent in August 2007 with the outbreak of the subprime crisis due to the relative importance and success of the so-called enhanced money market funds. In a matter of weeks, €70 bn were redeemed in funds predominantly from institutional investors; around 15-20 suspended redemptions for a short period, 4 of them were definitively closed.

- From the summer 2007 to the end of 2008, the European industry has experienced 6 quarters in a row of massive net outflows. Total assets under management of European asset management fell by some 20% in 2008 and declined from 13.6 trillion at the end of 2007 to 10.7 (estimated) at the end of 2008. The assets of investment funds domiciled in Europe fell by 1,567 bn (or 25.4%) in 2008. This decline was driven by the developments in the UCITS market, which represents about 75% of the investment fund market in Europe. Market losses impacted by nearly 77% the decline in UCITS assets, whereas net outflows were responsible for 23% or 336 billion of the UCITS assets decline. Those outflows were driven notably by outflows in long-only funds due to a massive retreat to safety, deleveraging and market disfunctioning. Long-term products suffered over €400 bn of outflows in equities, even more bond funds and mixed assets; 90% of the total outflows originated from 4 countries, i.e. Luxembourg, where most of the UCITS are domiciled, Italy, Spain and France. Also, falling growth prospects in Asia affected the demand for UCITS and the net sales of cross-border UCITS to Asia, which contributed for more than 22 bn in 2007, turned negative in the second half of 2008. Interestingly enough, about 40% of the total outflows from UCITS were recorded in October when the liquidity crisis and the fear of credit and counterparty losses following the bankruptcy of Lehman Brothers were at their peak. In 2008 money market funds were the only class which had overall positive net inflows in UCITS funds of approximately €69 bn as well as in stable NAV funds.

- **The main reasons explaining why assets and funds were severely hit are threefold:**
  - the financial crisis had led to massive losses in worldwide stock markets and the meltdown of credit and money markets following the bankruptcy of Lehman Brothers. The financial crisis then turned into a global economic crisis with downward pressure on economic activity;
  - an unfair level playing field, triggered by unfair competition with structured notes (until mid-2008) and banking products (cash and deposits) especially in Spain, Italy, Greece and Portugal, and amplified by national governments guaranteeing bank deposits;
  - the nature of distribution in continental Europe, which is mainly bank and insurance-driven and where the distribution became a competitor for the fund industry.

Since October 2008 the situation has been improving and net outflows have stabilised, although gross sales have remained at a relatively low level and YTD net inflows are still driven overall by money market funds.

- Outflows tend to stabilise in long-only funds and are relatively small, offering further proof that investors believe that the bottom has been reached.

- The majority of fund managers expect a recovery of net sales of UCITS in 2009 in Europe in the first place, but also in other parts of the world.

1.2. Impact on the profitability of asset managers

According to McKinsey, profits of asset managers in Europe plunged to the lowest levels ever: below 13 bn of operation profit (McKinsey Asset Management Survey in 2008). Four key factors have been impacting profitability:

- the bear market which led to a decrease in assets and therefore overall to a significant decrease in fees;
- margin pressure owing to increased investor scepticism towards asset management products and reduced negotiating power (many active/alpha products have not proven their value);
- rising share of low-margin products like ETFs and unfair competition, i.e. structured notes;
- overcapacity.

This dramatic profitability implosion is a serious challenge to the asset management business models, leading to a strategic rethinking. Most asset management firms have already been going through, or are in the process of exercises in reducing costs, searching for new partners, launching new products and acquiring other asset management business (McKinsey Asset Management Survey in 2008).

2. Regulatory and operational issues

A number of key aspects on the regulatory and operational level will be explored in more detail hereafter, but seen from the industry's perspective, three major points can be raised:

- Confidence risks have to be limited by intensifying fraud detection and by improving the market organisation to mitigate systemic risk; the latter can be achieved by:
  - creating more transparency in all markets, especially the OTC markets;
  - bringing more standardisation and transparency in derivative markets;
  - make post-trade information available;
  - create Central Clearing Platforms for the continuous netting of positions;
  - improve Straight Through Processing in all sectors.

- Weaknesses have appeared in the EU pattern
In spite of some harmonisation efforts by Directives there are still considerable differences in EU markets in investor protection and disclosure and regulatory arbitrage does exist.
The home/host system has not delivered and too much reliance was placed on non-binding cooperation between regulators. Cooperation is still weak as was illustrated by the implementation of the short-selling rules.

- A credible system of regulation and supervision has to be created as soon as possible. The present system has proved its limits, it is a bottom-up system, based on national competences, coordination works only be mutual recognition, home-host arrangements and cooperation.
This leads to either double supervision or gaps in the system. And the system has proved unsatisfactory because the home-host system has not worked in the crisis: emergency action was ring-fencing in some States, information flows are weak and cooperation is to be improved.

2.1. European Commission identifies weaknesses (Letter from David Wright, December 2008)

In response to a letter from EFAMA in August 2008, David Wright, the Deputy Director General of the Internal Market DG, wrote to EFAMA in December pinpointing a number of weaknesses in today's regulatory framework which need to be addressed by the regulators and the industry.

- **Credit assessment guidelines**

One of the most important lessons to be learnt is the need for proper own credit assessment policies and procedures. EFAMA took the initiative and produced the so-called "Asset Management Industry Guidelines to Address Over-Reliance upon Ratings"[1], providing guidance for asset managers on the responsible use of ratings for securitisation, structured finance and structured credit products. The Guidelines highlight four major principles:

  - when investing in structured credit products, asset managers must have regard to their obligation to act professionally and in the best interest of their clients;
  - asset managers should understand the limitations to any credit ratings and address the risks arising;
  - in the best interests of their clients, where appropriate, asset managers should challenge mandates which appear ill-designed;
  - asset managers should periodically assess the adequacy and effectiveness of their arrangements for addressing the Guidelines.

With these Guidelines (that are developed fully in the document), EFAMA responded to the call of the Financial Stability Forum (FSF): "Investors should address their over-reliance on ratings. Investor associations should consider developing standards of due diligence and credit analysis for investing in

1 To be found on EFAMA's website (www.efama.org) under "Standards":
http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=70&Itemid=-99

structured products".[2] The Guidelines reflect the industry's strong commitment to appropriate standards of due diligence and credit analysis. They were prepared jointly with the European Securitisation Forum (ESF) and the Investment Management Association (IMA) as part of an industry-led initiative coordinated by the ESF, the so-called "Ten Initiatives to Increase Transparency in the European Securitisation Markets", first announced in July 2008.

Risk management

As a result of the global liquidity crisis, risk management has been thrown into the spotlight and the importance of asset liquidity has been re-evaluated. Within the UCITS world, very few funds had to close or temporarily suspend redemptions. Although the crisis highlighted the need for improvements, it demonstrated the overall robustness of risk management procedures.

CESR published in August 2008 a consultation on Risk Management Principles for UCITS. It presented a draft of high level principles for risk management, which were published in February 2009 in their final form as Level 3 guidelines for regulators. Further work on methodologies was delayed by other CESR activities, but is now continuing and might provide material either for CESR's Level 2 advice on UCITS IV to the European Commission, or for Level 3 guidance.

EFAMA carried out a survey of Risk Management practices amongst its Corporate Members and later launched a Working Group on Risk Management, which contributed to our reply to CESR's Consultation and will work in more detail on risk management methodologies.

Classification/description of money market funds

The difficulties experienced by a small number of money market funds in Europe and the United States raised concerns about the risk characteristics of money market funds. These concerns led many investors to redeem their shares from money market funds in the autumn of 2008. The difficulties were compounded by the broad extension across Europe of state-supported guarantees to bank deposits. To cope with this situation, EFAMA took two important initiatives, in cooperation with IMMFA: [3]

- First, EFAMA engaged in early October 2008 in high-level discussions with the European Central Bank (ECB) about the possibility of obtaining some liquidity support along the line of programmes that had been created by the Federal Reserve to support money market funds in the United States. At the time, the industry feared that a run on money market funds would outpace investment managers' ability to raise liquidity, and force those funds to close to further redemptions. As money market funds are widely held by corporate treasurers, which were already under short-term funding pressure because the market for short-term commercial paper had closed, the risk was that a freezing of money market funds would exacerbate funding problems for financial institutions and corporate investors.

2 Financial Stability Forum, Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience, 7 April 2008, p. 37, http://www.fsforum.org/publications/r_0804.pdf.

3 The Institutional Money Market Funds Association (IMMFA) represents providers of EU-based "constant net asset value" money market funds, with assets of €407 billion at end 2008.

The risk of large-scale redemptions had also led investment managers to refrain from investing in money market instruments with a maturity of more than one week, and in many cases to restrict themselves to overnight deposits. Although this behaviour was individually rational, it was collectively worsening the situation in the money markets themselves.

To reduce liquidity pressure, and to avoid their recurrence, EFAMA proposed that the assets held by money market funds should be treated as eligible collateral by the ECB in respect to loans granted by the ECB to banks.

Another proposal was that the ECB and national central banks should agree to provide liquidity to money market funds facing urgent liquidity problems by accepting to buy money market funds units/shares for a transitional period.

Whilst appreciating our feedback on the problems faced by money market funds as well as our proposal, the ECB did not accept to move away from its traditional policy of conducting credit operations with banks only. Instead, it decided to broaden the scope of eligible collateral to include certificates of deposit which are not traded on "regulated markets". The ECB explained that this step, together with the reduction in interest rates, was an important contribution to support liquidity of short-term money markets that would benefit money market funds. Its position was to assess the effectiveness and adequacy of this action before considering measures specifically targeted at money market funds.

As the pressure faced by money market funds started to recede in November 2008, and in a situation of better functioning money markets, both the ECB and the money market fund industry have gained time to draw the lessons from the financial crisis and evaluate whether or not it would be useful to have the possibility of direct liquidity support from central banks during stress situations.

The European Commission shared our concern that a freezing of money market funds could cause irreversible damage to the European financial system and European economy. In a joint letter to EFAMA's President, Commissioners Almunia and McCreevy confirmed that they remained very vigilant regarding the situation of money market funds and very much interested in discussing developments and possible remedial actions as the situation evolved. On different occasions, high-level officials from the European Commission also stressed the importance of avoiding unilateral national interventions given the systemic nature of the challenges facing the EU industry and regulatory authorities. Eddy Wymeersch, the Chairman of the Committee of European Supervisory Regulators (CESR), also shared with EFAMA and his colleagues from CESR his views on the dangers of divergent national responses to the challenges facing the money market industry.

- The second action taken by EFAMA in direct response to the letter of David Wright was to accelerate its work on a European definition of money market funds, again in close cooperation with IMMFA. The main objectives of this project, which is still under way, are twofold. The first goal is to limit the use of the label "money market fund" to investment funds that give high importance to the objectives of capital preservation and liquidity. To achieve this objective, it will be recommended that money market funds comply with clear-cut criteria aimed at limiting interest rate risk, credit/credit spread risk, liquidity risk and some other risks.

The second goal of the project is to group money market funds in separate categories defined in terms of their specific profile of risk and return. To the extent that some money market funds may seek more risk than others in seeking higher return, the funds' prospectus and marketing material should clearly highlight the differences between each category in terms of objectives and risk-limiting provisions in order to facilitate investor choice.

EFAMA is convinced that the adoption across Europe of a well-defined and fully transparent definition of money market funds will contribute to enhance the attractiveness of money market funds and allow them to continue to play successfully their role as providers of key investment products to retail and institutional investors and key lenders to banks and non-financial corporations.

■ Central European Clearing House for OTC derivatives

Following the financial crisis and the Lehman collapse, the size of the OTC[4] derivative market – and in particular of the CDS[5] market – has raised significant regulatory concerns and is considered so large as to pose systemic risks. The use of Central Counterparties/Clearinghouses has been therefore deemed to be essential to reduce counterparty risk and to enhance transparency, both to regulators and the market.

In the United States, the process is more advanced, and at least one CCP has already started clearing trades. In Europe, the European Commission has been in discussion with stakeholders since November 2008, seeking commitment from the sell-side to move clearing and settlement to one or more EU CCPs. Location in Europe is seen to be very important for prudential reasons, as approximately half of the global CDS volume is EU business.

The Commission created in November 2008 a Working Group on Derivatives with two tasks: in the short term, to coordinate the move to CCPs, coaxing the various parties around one table and functioning as a forum for the stakeholders to discuss all issues, legal, operational and regulatory. In the longer term, however, the Working Group should give input to the Commission on derivatives in general. The Commission is planning a report to Council in June on its initiatives regarding derivatives, and the move to central clearing and settlement is certain to be recommended for other OTC derivatives.

After a tough negotiation round and under the threat of binding regulation, the European Commission obtained at the end of 2008 a commitment from the sell-side dealers to be ready to start using a CCP as of the end of July 2009. Four European CCP platforms plan to launch, but are at different stages of readiness (only one claims to be ready, two plan to be ready by end July, and one will not be operational until late 2009).

EFAMA supports the Commission's goal of moving clearing and settlement of CDSs to EU CCPs, as their use will greatly reduce counterparty risk. However, it is important that robust solutions be implemented by CCPs in particular with regard to risk management, collateral/margin management, and pricing. Transparency of

4 OTC : Over-the-counter

5 CDS: Credit Default Swap

CCP rules to all users and potential users is also essential. We strongly believe that the asset management industry – as an important part of the buy-side – should play a key role in the discussions on the operating rules for CCPs, although its members will not be direct members of the clearinghouses.

While committed to the goal, there are some concerns about the lack of information from sell-side and CCPs necessary for EFAMA members to be able to make informed decisions. The deadline for implementation (31 July 2009) is approaching fast, and many details are still unclear or not defined. Asset managers must evaluate their processes and their relationships with clearing brokers and depositaries with regard to CDS clearing and settlement, to ensure they are ready in time for the upcoming use of a CCP.

However, choices should be made carefully on the merits of the different offers, not forced by the asset manager's counterparty preferences or lack of time to adjust systems and processes.

European regulation on credit rating agencies

After difficult negotiations under the Czech Presidency, the European Parliament and Council agreed in April 2009 on a common text of a European regulation on credit rating agencies. EFAMA participated in the debate from the beginning and welcomed the Commission's initiative. Some regulations, i.e. CRD[6], MiFID[7], attributed – regrettably in our opinion – a regulatory status to ratings without regulating the rating agencies themselves. EFAMA members in particular welcomed the Commission's approach to provide for a comprehensive disclosure regime since the capability of asset managers to assess a financial instrument depends in part upon the quality and extent of the information disclosed by the rating agency. This disclosure is considered as a necessary prerequisite for an investor's own risk analysis. EFAMA members identified, however, three shortcomings in the Commission's proposal:

- Firstly, in terms of scope, the use of third country ratings was forbidden. This provision would effectively have banned the trading in Europe of non-EU rated instruments. Fortunately, Council and Parliament agreed on a (rather complex) solution: credit ratings issued in third countries may be used if the rating is endorsed by an EU registered credit rating agency. This possibility will most likely be used by the large credit rating agencies with a worldwide physical presence. For those rating agencies that do not have a physical presence in the EU, a rating to an instrument issued in third countries is eligible if that rating agency is subject to equivalent rules and supervision. Although EFAMA members welcome the fact that the EU legislator did not follow the Commission in its protectionist approach, we have doubts as to what extent the new regulation will really encourage the emergence of new actors on the market given that the endorsement process favours the model of the large agencies and the difficulty to establish equivalence.

- Secondly, with regard to oversight, EFAMA stressed the need for a real European supervisory structure whilst taking into account the limits of the existing EU Treaty. We welcome the idea of using CESR as a single point of entry for the submission of applications for registration, and the idea of creating colleges to deal subsequently with the applications as well as with the day-to-day supervision. We also agree that this supervisory architecture should not be considered as the long-term solution for the oversight of credit rating agencies, and we are looking forward to the

6 CRD: Capital Requirements Directive

7 MiFID: Market in Financial Instruments Directive

proposals the Commission announced on the basis of the recommendations issued by the de Larosière Group end of February 2009.

- Thirdly, EFAMA members criticised the disclosure regime on structured finance products for being insufficient. The Commission's proposal focused on disclosure by credit rating agencies only and did not sufficiently consider the responsibility of issuers and arrangers to provide for exhaustive disclosure at the first pricing of a security: in the final version of the regulation, legislators improved the regime slightly, although more needs to be done to really provide investors with the necessary information.

Since a regulation has to be transposed directly into national law without leaving room for national interpretation, it will enter into force soon. However, appropriate implementing measures to specify certain aspects of the regulation still need to be adopted, in particular with regard to the proposed equivalence mechanism. In order to guarantee that Level 2 rules will take account of asset managers' needs, EFAMA nominated a representative to CESR's Consultative Working Group on credit rating agencies.

■ UCITS and securitised instruments

In response to the financial crisis, the Commission presented a variety of amendments to the Capital Requirements Directive (CRD), including a new Article on securitisations that had been at the heart of the turmoil. The aim was the alignment of interests between issuers of securitised products such as Asset Backed Securities (ABS) on the one hand and investors in these products on the other. Instead of requiring originators directly to hold 5 % of the net economic interest in their portfolios, the Commission proposed that investors should only be allowed to buy a securitised instrument if the originator had disclosed to them that they would make the retention. To establish a level playing field across financial sectors, the Commission decided not only to impose such requirement on credit institutions that invest in ABS, but also on UCITS funds and insurance undertakings. EFAMA was successful in ensuring that the negotiations on UCITS IV were not jeopardised and delayed by this discussion, and could convince Parliament and Council to deal with this question not in the context of the hastily revision of the CRD, but at a later stage to ensure that the specific characteristics of investment funds would be taken into account when drafting such a provision for UCITS funds.

The Commission now has integrated in its proposal for a Directive on Alternative Investment Fund Managers, published on 30 April 2009, the legal basis which will empower the Commission to adopt implementing measures to impose the new requirements on UCITS at Level 2. Given the highly controversial nature of the new proposal, the rules for UCITS will probably not enter into force in the near future. This gives the industry sufficient time to discuss with EU law makers the exact wording.

2.2. The Madoff Affair

BMIS (Bernard L. Madoff Investment Securities, LLC) created in the early 1960s was initially a pure brokerage firm but very rapidly developed into a company which in mid-2008 held $700 million in equity capital and handled about 10% of the NYSE trading volume. Another smaller part of BMIS' business was the management of twenty-three discretionary accounts with $17 billion using the so-called "split-strike conversion strategy" developed by Madoff and promising annual returns of 10% to 12%. Most of these accounts belonged to feeder funds globally marketed by numerous intermediaries or used as underlying assets for structured products etc.

Thanks to this structure, the final investors were not direct customers of BMIS. On the other hand, the feeder funds had to open a brokerage account with BMIS and delegate the full trading authority of their portfolios to BMIS.[8] On 10 December 2008, Madoff confessed that his investment advisory business was a *"giant Ponzi scheme"*. The next day, he was put under arrest.

For the European investment management industry this affair had serious implications:
In many countries UCITS funds[9], or indirectly funds of funds, were invested in Madoff feeders and some funds lost their assets because of the asset transfer to BMIS and had to be closed. How much money in total was lost through these funds is not yet clear[10], but immediately a debate started about the robustness of the rules on duties and liabilities of the depositary in the UCITS Directive.

Discussions culminated on 12 January 2009 in a letter from the French Minister for Finance and Economy, Christine Lagarde, to Commissioner McCreevy complaining that Articles 7 and 14 of Directive 85/611/EEC had been implemented differently among Member States and arguing that this could potentially undermine investors' confidence in the UCITS "label" and that in order to avoid this from happening further harmonisation would be needed.

The letter and its conclusions were discussed by the ECOFIN Council meeting of 20 January 2009 and in late January the Commission published its conclusions[11], underlining that:

"Responsibility of an independent depositary for safe-keeping of fund assets is a cornerstone of the UCITS regulatory framework. The Directive clearly assigns responsibility for asset safe-keeping to the depositary and liability in the event of wrongdoing or negligent performance of its duties. The Commission will take the lead in ensuring that the principles enshrined in the Directive are upheld – starting with a review of how Member States give concrete expression to these provision to identify any practices or provisions that might blur the basic responsibilities foreseen in the Directive. On the basis of that review, the Commission will take the lead in bringing forward any actions needed to codify depositary responsibilities."

However, recent signals seem to indicate that the Commission itself is not keen to "tighten up" the rules in the UCITS Directive regarding the responsibility of the depositary for safekeeping and the conditions for delegation of custody and would prefer to resort to other means rather than re-opening the Directive to achieve clarification on these issues.

Indeed, the key issue in this discussion is Article 9 of the UCITS Directive stipulating that the depositary is liable to the management company and to the unit holders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations or its improper performance of them, *in accordance with the national law of the fund's home country*. In the same context, Article 16 regulates the depositary's

8 For more details see: "Madoff a Riot of Red Flags", published by EDHEC in January 2009.

9 Most often cited are:
- *Luxalpha* (American Selection sub-fund) and *Luxinvest* (US Equity Plus sub-fund), both with UBS as depositary and Ernst & Young as auditor;
- *Herald (Lux) fund* (US absolute return fund), a self-managed SICAV promoted by the Austrian Bank Medici, the capital of which is at 25% held by UniCredit; its depositary was HSBC;
- *Thema International Fund, Thema* was set up by Thema Asset Management (BVI), 55% owned by Genevalor, its Swiss distributor (partially owned by Union Bancaire Privée). Since 2007 Thema was managed by Medici. Its depositary was HSBC and auditor was PwC.

10 In January 2009, the Commission spoke about €1.6 billion.

11 "Commission sets out steps to clarify the responsibilities of UCITS depositaries" [IP/09/126] of 26 January.

liability for investment companies. Such liability exists with respect to both of the depository's functions, i.e. safekeeping and control, and with respect to investor and fund. However, the Directive does not specify whether the performance of any control duty is subject to an obligation of result (restitution of the assets) or rather to an obligation of means. The Commission seems to be of the opinion that the Directive supports the first interpretation but admits that this point has never been formally confirmed.[12]

All Member States seem to have implemented the general liability principles of the Directive: the depositary is liable to the investor and the fund in case of failure to perform its obligations or in case of improper performance of them. The problem, however, is that according to the Directive the level of liability depends on national law.

EFAMA's position in this discussion has been very clear from the beginning:

- contribute to making the discussion more objective and to putting an end to reciprocal incrimination;
- meet the concerned competent authorities to hear about the progress of their research and to remind them that the issue is urgent as the UCITS brand and investors' trust are at risk;
- underline that investor protection remains EFAMA's top priority;
- draw attention to the fact that the mechanism of the UCITS Directive provides for a high level of investor protection and that it is not yet clear that any investor in a UCITS will lose money;
- support the Commission in its view that a fundamental analysis is needed before discussing new or additional legislation.

In a second step, EFAMA set up a working group (including both fund managers and depositaries) to support these initiatives and to show practical ways forward in developing clear ideas regarding procedures which would reduce or avoid the risk of investors losing money independent of the liability regime under which the depositary acts. These procedures should include rules and industry best practices regarding:

- the relationship between fund/fund manager and depositary: obligations and responsibilities of both parties;
- the responsibility of the depositary vis-à-vis the fund/fund manager in the case of sub-custody;
- the relationship between depositary and sub-custodian.

Only at the end of the discussions should the Group discuss whether or not legal action (modification of the UCITS Directive or CESR Level 2) is needed from the industry's point of view. Should this be the case, appropriate proposals should be made to EFAMA's Board of Directors. Independent of this own initiative, the group must continuously monitor the discussion at EU level.

Regarding the two most frequently cited Luxembourg UCITS, Luxalpha and Herald Lux, in early April the Luxembourg District Court at the request of the Luxembourg authorities (CSSF) ordered their dissolution and winding-up. Liquidators have been appointed and the judgment states that the unit holders shall be considered as shareholders which are entitled to share the surplus of the winding-up.

12 See: 2004 Communication on depositaries, par 2.2.

2.3. The "de Larosière Group"

The political debate on the future supervisory architecture for the EU is not new, but it has gained in momentum with the financial crisis. On 9 October 2008, European Parliament adopted a resolution entitled "Lamfalussy follow-up – Future Structure of Supervision" containing concrete proposals for the supervision of large cross-border financial groups, a strengthening of the Lamfalussy Level 3 Committees, financial stability arrangements and crisis prevention.[13] At national level, governments created several expert groups to analyse the reasons for the meltdown and propose solutions. The European Commission followed suit by establishing the High-Level Expert Group chaired by Jacques de Larosière, former managing director of the IMF and Governor of the Banque de France, and composed of a small number of highly skilled and experienced individuals active in financial markets. In particular, the group was tasked to consider:

- how supervision of EU financial institutions and markets should best be organised;
- how to strengthen European cooperation on financial stability oversight, early warning mechanisms and crisis management;
- how supervisors in the EU should cooperate with other major jurisdictions to help safeguard financial stability at global level.

The Group presented its recommendations on 25 February 2009[14], which were followed by a Commission's Communication on 4 March, "Driving European Recovery",[15] endorsing the proposals made and setting out a road map. The Commission announced the presentation of a European financial supervision package before the end of May 2009, for decision at the June European Council. In order for a renewed supervisory framework to be up and running by the end of 2010, legislative proposals would be submitted in the second half of 2009.

Before setting out its concrete proposals, the Commission undertook a consultation in the spring, lasting only four weeks, to which EFAMA replied. EFAMA strongly supported a harmonised European supervisory framework and welcomed the de Larosière recommendations in this respect. However, members were concerned that the future architecture risked being designed from a purely banking and insurance perspective, thereby ignoring the interests and needs of the asset management industry as an important part of the buy-side. EFAMA further underlined the need for improved banking regulation to restore confidence in financial markets and for strong and coherent European representation at international level.

In parallel to the work undertaken by the de Larosière Group, in January 2009 the Commission put forward two measures aimed at enhancing the Committee of European Securities Regulators (CESR). Firstly, it presented its decision providing a clearer framework for CESR by specifying its tasks (such as facilitating mediation, promoting exchange of information or developing common supervisory standards), reinforcing cross-sector cooperation and by introducing qualified majority voting without, unfortunately in EFAMA's view, changing the non-binding character of any decisions taken.
Secondly, it proposed to fund CESR and the other two Committees out of the Community programme. This proposal is subject to the co-decision procedure and hence needs the approval of European Parliament and European Member States.

13 http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2008-0476+0+DOC+XML+V0//EN&language=EN#BKMD-16

14 http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

15 http://ec.europa.eu/commission_barroso/president/pdf/press_20090304_en.pdf

Both proposals were preceded by a public consultation in July 2008 in which EFAMA participated. EFAMA members expressed the same concerns as they did later in the context of the de Larosière report, i.e. that the proposed modernisation was approached from a pure banking and insurance perspective and that the securities sector was not sufficiently taken into account. EFAMA further insisted on enhanced cross-sectoral cooperation as well as the streamlining of reporting requirements both in terms of format and content across the three sectors.

II. Investment management regulation

Driving and monitoring the regulatory development on European level regarding investment management and intervening where necessary is one of EFAMA's core businesses. Here we deal, however, not only with the UCITS Directive but also with a number of other key issues such as cross-border distribution of non-harmonised funds and private placement regimes. All these issues were originally part of the so-called "UCITS Review" [16] and considered "crucial" by the Commission Expert Group on investment fund market efficiency.[17] Only later, in its 2006 "White Paper on enhancing the single market framework for investment funds" [18] did the Commission restrict itself to the so-called UCITS IV measures.

1. *UCITS IV adopted: an EFAMA success story*

When measures were published in March 2007 by the Commission in its "Initial Orientations for discussion on possible adjustments to the UCITS Directive" (the so-called "Exposure Draft"), they were broadly supported by the industry as they included most of the concerns it had raised from the beginning of discussions in 2004. Indeed, the Commission envisaged regulation in six areas:

- to remove administrative obstacles and delays to the cross-border marketing of funds through overhaul of the current UCITS notification procedure;
- to allow fund managers to manage funds which are domiciled in other Member States through a partial management company passport;
- to facilitate consolidation through fund mergers;
- to provide for centralised management of assets by allowing master-feeder structures;
- to refocus and improve the quality and usefulness of product disclosures provided to retail investors through a review of the Simplified Prospectus;
- to strengthen supervisory powers and supervisory cooperation to ensure effective oversight of the increasingly integrated European fund market.

Only one issue in the Exposure Draft gave rise to controversy, i.e. the wording of "partial passport" for the management company. The issue had been in deadlock for the past year and was accompanied by an escalation in discussions at political level when the Commissioner for the Internal Market, Charlie McCreevy, decided in late January 2008 not to include in the Commission's proposal any legislative measure regarding the management company passport but to "ask CESR for advice on safe, efficient and cost effective solutions that can provide trust among supervisors" instead. The idea was taken on board by CESR's Chairman Eddy Wymeersch in March 2008[19], but at a political level (and within the industry) the heated debate continued.

16 See: Green Paper on the enhancement of the EU framework for investment funds [COM (2005) 314 final of 12 July 2005].

17 See the report of the Expert Group published in July 2006.

18 COM(2006) 686 final

19 At the ALFI Spring Conference on 18 March 2008 in Luxembourg he proposed to:
- *no longer speak about "full" or "partial" passport;*
- *accept supervisory concerns regarding their responsibility for a fund if they have no say over the main functions;*
- *accept that the passport will never relate to all services.*

After months of uncertainty Commissioner McCreevy in July 2008 presented the UCITS IV legislative proposal[20] including new regulation on the notification procedure, fund mergers, master-feeder structures, key investor information (replacing the "old" simplified prospectus) and supervisory cooperation, but leaving out any proposal regarding the management company passport. The responsibility for this was passed to CESR: the same day the proposal was published, a mandate was sent to CESR asking for advice "that will help the Commission to develop provisions permitting the introduction of a management company passport under conditions that are consistent with a high level of investor protection". The advice "on the structure and principles which could guide potential future amendments to the UCITS Directive which may be needed to give effect to the UCITS management company passport" was to be delivered by 1 November 2008. The following day CESR issued a Call for Evidence on the issue, inviting all interested parties to submit their views by 22 August.

The 1 November deadline for the CESR advice was crucial because of the French Presidency's[21] goal to reach a final ECOFIN vote on UCITS IV, including the management company passport, on 2 December. A similar tight agenda was that of the European Parliament championed by MEP Wolf Klinz (ALDE) with the intention of a final vote in ECON[22], also on 2 December. The declared common goal was to adopt UCITS IV including a "full" management company passport before the end of the legislative term of the European Parliament in June 2009.

Beginning of August 2008, only a very few would have believed CESR capable of delivering, i.e. to come forward in time with clear scenarios regarding "the necessary supervisory and technical conditions to ensure that the cross-border management of a UCITS fund does not weaken the ability of the competent supervisor or other responsible bodies to monitor and enforce compliance of the fund with its governing law and rules".

Nevertheless, thanks to a strict agenda management[23], a strong willingness to deliver and a readiness of the industry to cooperate under unusual conditions, Chairman Eddy Wymeersch sent CESR's advice on the management company passport to the European Commission as requested on 31 October. And there was more: against all odds, this was an advice for a nearly "full" passport[24], though passed only by qualified majority and opposed by five members.[25]

For the European Parliament and the ECOFIN Council this was sufficient and as planned, the ECOFIN Council and the European Parliament's ECON voted on 2 December. Thanks to very efficient "Trilog" discussions, Council and Parliament before the end of the month, and under the French Presidency, were able to reach a compromise which was agreed by the Parliament on 13 January 2009. As a formality, this legislation must still be adopted by the Council, which is supposed to happen in May or June 2009.

From the beginning of the discussions on the management company passport, a broad majority of EFAMA members was of the opinion that only a "full" passport would serve the needs of the industry and would

20 COM(2008) 458/3 of 16 July 2008

21 Negotiations were led by Fanny Létier from the French Permanent Representation with unique energy and determination.

22 The Committee on Economic and Monetary Affairs (the committee in charge)

23 The Consultation Paper [CESR/08-784] was published on 30 September for discussion in a public Hearing on 13 October and deadline for comments by 15 October.

24 A local contact point was still requested.

25 Ireland, Luxembourg, Poland, Slovakia and Slovenia

be consistent with the principles of European legislation and other existing financial services regulation such as the Prospectus Directive[26], Banking Directive[27], Market abuse Directive[28] or Transparency Directive[29]. As early as September 2007 EFAMA had urged the Commission that instead of a "full" vs. "partial" passport, the focus should be on the needs of supervisors and it recommended that the Commission should refer to CESR on the issue.

When Commissioner McCreevy decided in late January 2008 only to present a proposal without any rules regarding the management company passport, an EFAMA delegation met in February 2008 with high-level representatives of the French Ministry of Finance[30]. The purpose was to urge the incoming French Presidency, which would play a key role regarding the future of the Directive in the second half of 2008, to ensure that a solution was found for the management company passport to be introduced in the Directive under the current procedure.

As the situation regarding the future of the Directive became increasingly confused in the course of that spring, EFAMA's Board of Directors in referring to Eddy Wymeersch's March statement urged the Commission to:

- *present its current proposal for modifying the UCITS Directive as planned, i.e. at the beginning of May at the latest;*
- *ask CESR for advice and input on the management company passport, in particular how to safeguard the needs of fund supervisors regarding the three "crucial" activities, i.e. accounting, NAV calculation and depositary. The mandate should be precise, clear and practical, and it should include a clear deadline (end September 2008).*

Directly after EFAMA started lobbying the European Parliament with a special workshop for MEP assistants on UCITS IV, explaining the principles of the UCITS universe to those who would later have to work on this issue for their MEPs. The workshop was followed in May by an MEP breakfast highlighting the main issues for the industry and discussing with MEPs possible ways out of the stalemate.

Later in May, a delegation of EFAMA corporate members met again with high level representatives of the French Ministry of Finance to discuss possible ways for breaking the deadlock. Throughout the spring and early summer EFAMA's Secretariat was in constant contact with Commissioner McCreevy's cabinet and held several talks with the Cabinet of President Barroso. It is worth noting that in order to remain a reliable partner for discussion at political level, during all this time EFAMA kept from expressing any views in public.

On the other hand, when discussions started at CESR level in July on the advice on the management company passport, and later in August in Parliament and Council on the Commission's UCITS IV proposal, EFAMA was an extremely active discussion partner (by drafting official statements but also working behind the scenes), always keen to drive the discussions forward and help finding compromises. The highlight of this intense activity was a very strong intervention by EFAMA at CESR's Hearing on 13 October.

26 Article 22 of Directive 2003/71/EC

27 Articles 29-35 of Directive 2006/48/EC

28 Article 16 of Directive 2003/6/EC

29 Articles 25&26 of Directive 2004/109/EC

30 Amongst whom Thierry Francq, the *Chef de Service Financement et Compétitivité des Entreprises*

At the time of writing this report (April 2009), it is no exaggeration to say that the UCITS IV legislation as it stands realises a significant part of what the European asset management industry and EFAMA (FEFSI) from the outset of discussions in November 2003 insisted was needed to achieve a single market for asset management. This is easily verified by a simple look at the overview table in the Report of the Asset Management Expert Group published by the European Commission in May 2004.[31]

Without EFAMA's persistent and constant efforts under the leadership of three successive Presidents[32], its numerous but always consistent comments and the strong collaboration of all its members this would surely not have been achieved. Another key to this success was undoubtedly the close and reliable cooperation in the second half of 2008 with the French Presidency and MEPs, in particular with Rapporteur Wolf Klinz.

2. *CESR and KID*

Despite the political discussions regarding the management company passport which for some time threatened the entire UCITS IV proposal, CESR created in spring 2008 three technical Drafting Groups on different parts of the Key Investor Information document (KII) foreseen by the UCITS IV Directive. The work was started ahead of the finalisation of UCITS IV, as it was clear that it would take quite some time to find solutions for some topics. The majority of representatives in the Drafting Groups came from national regulators, but CESR also involved industry representatives and for the first time EFAMA was asked to nominate the candidates.

The three Drafting Groups covered Charges, Past Performance and the Risk/Reward Indicator. Their work started in May and continued until the autumn. A fourth Group was created late in 2008 to deal with Performance Scenarios for structured funds, but it met only once.

The work by the Drafting Groups has helped CESR prepare its "Consultation Paper on technical issues relating to Key Information Document (KID) disclosures for UCITS", which closed on 15 May and to which EFAMA submitted a comprehensive reply.

- Regarding **Past Performance**, the following topics were discussed:
  - Calculation issues (inclusion of fees, currency, NAV date selection)
  - Bar Chart presentation
  - Presentation of benchmarks
  - Treatment of performance in case of material changes
  - Track record extension

31 See: European Financial Integration: Progress & Prospects – Reports of four independent groups of experts, published by the Internal Market Directorate General in the context of the FSAP (Financial Services Action Plan) review process on 6 May 2004. [http://ec.europa.eu/internal_market/finances/actionplan/stocktaking_fr.htm]

32 Wolfgang Mansfeld, Stefan Bichsel and Mathias Bauer

- **For Charges**:

  - Presentation of charges (which charges should be shown in the KII, and whether a table with cash charges should be added to the percentages)
  - Calculation of ongoing charges (formerly TER): ex-post vs. ex-ante, fiscal year vs. calendar year, calculation for new funds
  - Presentation of performance fees
  - Inclusion of transaction costs and extraordinary expenses
  - Ongoing charges/TER for Funds of funds

The elements to be included in the calculation of ongoing charges/TER were not discussed during the Drafting Group sessions, but were included in the CESR Consultation.

- **For Risk/Reward Indicator:**

Undoubtedly the most controversial subject – and potentially a new addition to the KII – the indicator was hotly debated by one of the Drafting Groups. The discussion revolved around the methodologies and the way in which to present such indicator, not whether the indicator should be included in the KII (in other words, whether such an indicator is feasible, not whether it is desirable).

CESR set several basic requirements to be fulfilled by the methodology, amongst them were:

  - Applicability to as many funds as possible
  - Robust calculation methodology
  - Easy implementation by fund managers
  - Easy supervision by regulators
  - Stability of categorisation
  - Simplicity and user-friendliness for consumers

- **For Performance scenarios:**

For structured funds, CESR discussed the merits of different ways to present scenarios, either showing prospective investors the possible performance of funds under different market conditions through graphs, or by presenting probability tables. Industry representatives argued for the use of the risk/reward indicator also for structured funds, albeit using a specific methodology.

After the first consultation on the technical aspects of the KII, a second one will follow in the summer on CESR's draft advice to the Commission, including all aspects of the KII. By then the second phase of consumer testing conducted by the European Commission will be completed, and its results will be taken into account by CESR.

EFAMA has very actively followed the discussion on the KII from the beginning as it is a crucial measure in the UCITS IV package, which will further improve investor protection as well as reduce the high costs of production for the simplified prospectus.

3. A pan-European framework for OEREFs and Funds of Hedge Funds

The Commission published in mid-March 2008 the report of the Expert Group on open-ended real estate funds (OEREF)[33], followed by a public Hearing in April 2008 and an open Consultation in July 2008[34]. Since, however, Brussels has remained silent. The report to Council and Parliament on possible action planned for October 2008 did not materialise and it is still not known whether a pan-European regulatory framework for OEREFs will be on the agenda of the next Commission.

IOSCO, on the other hand, published in July 2008 a review of the regulatory issues relating to real estate funds, summarising the findings of a survey carried out in late 2007 among the members of its Standing Committee (SC) 5.

Regarding funds of hedge funds, the silence was even more telling: the Commission reduced its activity to the publication of a report commissioned to PricewaterhouseCoopers on the retailisation of non-harmonised investment funds in the European Union in October 2008[35], without drawing any conclusions.

4. A pan-European private placement regime: discussions in deadlock

In spite of promising talks in early 2008 and a broad consensus within the industry in favour of a private placement regime for funds, the subject has been put on the backburner at the Commission in favour of other regulatory work.

The publication of a Communication by the Commission expected in June 2008 is currently pending until further notice. The Commission instead published in July 2008 its impact assessment report, and commissioned a study (not yet published) on private placement to gather further information.

The Commission has thus gained more time, but it is unclear whether, in which form and for which products, a private placement regime will be pursued. Possible hedge fund regulation and the Madoff scandal also further complicated any discussion on the regime.

5. The upcoming AIFM Directive

These disappointing, but not totally unpredictable, stalemates might come to an end with the proposal for a Directive on Alternative Investment Fund Managers announced by the Commission for the end of April. The proposal, however, will not meet the expectations of the industry regarding a pan-European regulatory framework allowing cross-border distribution of OEREFs and funds of hedge funds to retail investors.

On the contrary, the proposal is aimed to allow cross-border distribution of all funds that are not harmonised under the UCITS Directive, so-called AIF (Alternative Investment Funds) to professional investors as defined under MiFID. To this extent, it will take on board the industry's call for a harmonised private placement regime.

33 http://ec.europa.eu/internal_market/investment/docs/other_docs/expert_groups/report_en.pdf

34 Feedback Statement see: http://ec.europa.eu/internal_market/investment/docs/consultations/feedback-expert-group_en.pdf

35 ETD/2007/IM/G4/95 see: http://ec.europa.eu/internal_market/investment/docs/other_docs/study_non-harmonized_funds.pdf

6. ETFs: increasingly important

According to a recent study of Barclays Global Investors[36], eighty-seven providers at the end of March 2009 managed at worldwide level 1,635 ETFs, listed on forty-three exchanges with assets of $633.55 billion.

At the same date, the European ETF industry had 672 ETFs managed by twenty-nine providers and listed on twenty-one exchanges with assets of $135.6 billion. This means that the European ETF industry grew during the last five years by 300% in terms of assets and by nearly 500% in terms of number of funds.

In view of the huge increase of the ETF segment within investment funds overall (and UCITS in particular), EFAMA's corporate members suggested the creation of an ETF Working Group to discuss regulatory issues and market trends. The Working Group held its first meeting in September 2008.

The discussion of ETF regulation across Europe showed many unnecessary and overly burdensome restrictions on ETF approval and marketing, some of them resulting from EU regulation (specifically from the UCITS Directive), but the majority deriving from national regulation (listing requirements, for example) or stock exchange rules. EFAMA members also noted an un-level playing field for ETFs vis-à-vis other products under the Prospectus Directive, and the lack of reciprocity for EU ETFs vis-à-vis US ETFs regarding marketing rules. The Working Group decided to gather information on regulatory barriers and compile a discussion paper to make the case for regulatory simplification and a level playing field.

7. IOSCO

The past year has seen a significant gathering in pace of new regulations and standards at European and international level. EFAMA contributed to several IOSCO consultations and participated in a number of meetings.

EFAMA largely welcomed the Consultation Report on "Proposed Elements of International Regulatory Standards on Funds of Hedge Funds Related Issues Based on Best Market Practices" of October 2008.[37] EFAMA members stressed in particular the need for an appropriate due diligence procedure from the manager to control proper asset segregation.

In the context of the subprime crisis, IOSCO carried out an investigation into investment manager practices in the field of due diligence, notably in the case of investments made in structured finance products on behalf of collective investment schemes offered to retail investors, firms' risk management and asset valuation. Given the highly sensitive character of these issues, EFAMA submitted its response anonymously and on a confidential basis. At the time of writing this report, IOSCO is working on best practice recommendations on due diligence and is expected to launch a consultation before the summer.

The "IOSCO Point of Sale Disclosure: Issues Paper" of May 2008, which is not a formal consultation paper, focused on disclosures to retail investors relating to collective investment schemes and "similar products" and their distribution prior to the point of sale. Unfortunately, the paper did not define the "similar

36 ETF Industry Preview as of end Q1 2009, Deborah Fuhr, Managing Director, Global Head of ETF Research & Implementation Strategy, Barclays Global Investors

37 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD281.pdf

products" but only touched upon investment funds. EFAMA recommended that IOSCO should concentrate more on aligning disclosure requirements across product categories, rather than focusing on one already characterised by a high level of transparency. Finally, IOSCO should consider more closely the so-called "substitute products" debate in the EU.

In May 2008, IOSCO published its final report on "The Role of Credit Rating Agencies in Structured Finance Markets"[38] and its revised "Code of Conduct Fundamentals for Credit Ratings Agencies"[39], which were preceded by a consultation report in March.[40] EFAMA members welcomed most modifications proposed to the Code of Conduct, in particular that credit rating agencies should:

- make clear the limitations of their ratings;
- ensure that adequate personnel and financial resources are allocated to monitoring and updating their ratings;
- define what they consider to be an ancillary business and why;
- indicate for each rating the principal methodology or methodology version that was used in determining the rating.

As a follow-up, IOSCO published in March 2009 a "A Review of Implementation of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies"[41] as well as a report on "International Cooperation in Oversight of Credit Rating Agencies".[42]

In the first document, IOSCO analyses the extent to which CRAs around the world have incorporated the IOSCO CRA Code provisions into their codes of conduct. In the second document, IOSCO examines the use of supervisory colleges and/or bilateral arrangements in the oversight of CRAs. Through the supervisory colleges and/or bilateral arrangements, regulators would be able to have a more complete picture of a CRA's operations. Moreover, IOSCO has developed a model examination module to be used, as appropriate, by those IOSCO members that regulate and inspect CRAs. This model will help create a common understanding of the types of information that regulators around the world might find useful when inspecting a CRA against regulatory requirements based on the IOSCO CRA Code. So in addition to serving as the foundation for a CRA code of conduct, the IOSCO CRA Code is envisaged to serve as a template for regulation, thereby facilitating a convergence of approaches to CRA regulation by individual jurisdictions.

38 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf
39 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf
40 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD263.pdf
41 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD286.pdf
42 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD287.pdf

III. Level playing field for competing, substitute, savings and investment products

The mills of God grind slowly, so do those of the European Commission. The recent publication of the Commission's Communication on "Packaged Retail Investment Products"[43] is, however, an important milestone on the way towards a level playing field between "substitute" investment products.

As a result of the blurred distinction between different investment products and the existing architecture of distribution, products with different legal forms compete for the same retail savings and satisfy the same or very similar economic needs for retail investors. Although a substantial body of European law already exists, rules vary from sector to sector, with the result that legal requirements on product transparency, sales and advice differ. EFAMA has long argued that the current framework does not provide a coherent basis for the protection of retail investors nor for fair competition between different packaged investment products.

Following in late 2007 the Commission's Call for Evidence on the "Need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products" (to which EFAMA responded), an open Hearing was organised on 15 July 2008. On this occasion EFAMA reiterated its longstanding opinion that the creation of a level playing field for all competing savings and investment products was a necessary step towards a single market for investment management and a key issue in investor protection.

In order to provide the Commission with more evidence and underpin its arguments with academic findings, EFAMA commissioned a study to Deloitte comparing costs and investor disclosure for investment funds and structured notes.

In March 2009, EFAMA submitted a detailed response to the Commission's Consultation on the review of the Prospectus Directive. In its reply, EFAMA clearly stated that its members consider the UCITS Key Investor Information approach to be a suitable concept for certain products falling under the Prospectus Directive, i.e. structured products and closed-ended funds. The summary of the prospectus in its current form was not seen as an appropriate tool for investor information since it does not provide investors with sufficient, transparent, simple and comparable information on the investment policy, past performance, costs and risks. How this situation should be remedied is a difficult question and EFAMA is looking forward to the Commission's announced horizontal approach to mandatory disclosures and selling practices with regard to "packaged retail investment products". First orientations on the form and content of possible measures shall be published and put to consultation by the end of 2009, as announced in a Commission's Communication at the end of April 2009.

43 http://ec.europa.eu/internal_market/finservices-retail/investment_products_en.htm

IV. MiFID implementation

In the second half of 2008 CESR started reviewing the implementation of some crucial MiFID issues (Best Execution, Inducements, Conflicts of Interest), issuing supervisory briefings aiming at clarifying CESR's positions in the attempt to foster harmonisation.

In November CESR published two Calls for Evidence, one on the scope of the MiFID transaction reporting obligation, and another on MiFID's impact on the functioning of secondary markets. Finally, in December CESR published a Consultation Paper on the transparency of corporate bond, structured finance products and credit derivatives markets, where it presented a different view on market transparency for non-equities, in view of the liquidity crisis. The last two consultations elicited replies from our members showing a deep impact of MiFID on secondary markets (both in terms of trading venues and data fragmentation), and serious problems for non-equity markets due to the liquidity crisis. No regulatory decision has been taken yet, but one is required by Article 65 of the MiFID Level 1 Directive on the extension of the equity pre- and post-transparency requirements. More work at Level 3 has also been announced by CESR for this year on the definition of "complex instruments".

EFAMA monitors all consultations affecting investment managers and replied to most of them. Conference calls were organised with its members to monitor the implementation progress of MiFID and its lack of harmonisation.

V. Taxation

The fiscal environment of the investment management industry plays an important role in its success and efficiency. Achieving a level fiscal playing field and improving tax neutrality in the fund business have been top of EFAMA's agenda for many years. In recent years EFAMA has focused particularly on three important issues: VAT on financial services, the Savings Taxation Directive and the treatment of investment funds in Double Tax Treaties. Since the adoption of the UCITS IV Directive a fourth has been added, i.e. increasing the efficiency of the fund industry through fund mergers, master-feeder funds and the management company passport, which can only happen if the tax environment undergoes a fundamental change.

1. VAT on financial services

The Commission's Proposals for amending the 1977 VAT Directive[44] of November 2007[45] are currently reviewed by the Czech Presidency. While the French Presidency focused on the Directive proposal, the Czech Presidency is also considering the Regulation proposal. As far as the industry is concerned this new approach is important since both texts are linked and need to be seen in conjunction.

The top issue for the industry continues to be the definition of investment funds for the purpose of the exemption from VAT. The new definition contained in the last compromise proposal by the Czech Presidency raises doubts, since the wording "capital raised from the public" restricts the scope of the exemption to funds distributed to the public.

Member States, however, currently also exempt other types of funds, e.g. funds which exclusively have institutional investors. EFAMA submitted comments to the Commission and the Czech Presidency stating that these funds should not be excluded from the scope of the exemption at European level. It is very important for the investment fund industry to ensure that a definition of "investment funds" for the purpose of the exemption in principle maintains the current scope of the exemption and does not inadvertently restrict or extend the scope. This would be consistent with the stated policy of the Commission, following the outcome of the broad consultation with stakeholders, that the review of the exemptions should not be undertaken with a view to changing the scope but merely to clarify the position in order to preserve the status quo.

The Regulation changed completely in comparison with the original version. EFAMA asked for the re-introduction of the old comprehensive list of exempt management activities. This meanwhile has been done. The Regulation will be directly binding in Member States. The industry is quite pleased with the definition of "management of investment funds". Following EFAMA's suggestion "administration" was added to the exempt "activities of portfolio management". According to new Article 135a sub-elements of the management of investment funds are also exempt, also in the case of being outsourced. However, they must fulfil certain conditions.

44 Directive 77/388/EEC of 17 May 1977 on the harmonisation of the laws of Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment.

45 COM(2007) 747 – the Directive – and COM(2007)746 – the Regulation

Because of the importance of the issue, direct meetings between EFAMA members and representatives of Commission and Council are planned.

The Czech Presidency is expected to publish one more compromise proposal but will otherwise leave the further review to the Swedish Presidency in the second half 2009. Ultimately, a conclusion of the reform project requires unanimity in the Council.

2. The Savings Taxation Directive: towards a level playing field?

The Directive on taxation of savings from income in the form of interest payments[46] came into effect on 1 July 2005. It is aimed at making savings income payments made in one Member State to a beneficial owner who is an individual and resident for tax purposes in another Members State subject to effective taxation in the latter Member State.

As required by the Directive, the Commission published on 15 September 2008 its first report on the operation of the Directive during the first three years of its application. The report was followed on 13 November 2008 by a Proposal for an amending Directive[47] which is currently being discussed in Parliament and Council.

The Commission's proposal formally integrates structured products and life insurance products in the scope of the Directive. EFAMA welcomed this new approach as it had urged the Commission and Council to do from the beginning of the discussions on the Savings Directive in the late nineties. Whilst this inclusion is, in principle, an important step towards a more level playing field in taxation, the proposed definitions of structured "innovative" products and certain insurance products require further consideration to achieve the creation of a level playing field.

Despite the fact that the European Parliament has only limited power in taxation-related issues (it is only a "consultation procedure" and not as with UCITS a "co-decision procedure"), a draft report was presented by Rapporteur Benoit Hamon (PSE, France) in January 2009. On 30 March, ECON voted on amendments to the draft report and published its final report. Some of the provisions follow EFAMA's proposal in the context of the definition of competing savings products, i.e. certain insurance products with a view of aiming at a better level playing field.

In the meantime the Commission continues its consultation with market stakeholders in its Expert Group on the reform of the Savings Directive, in which EFAMA is also represented. In this context and in view of the fact that the Czech Presidency is considering changes to the Commission's Proposal, remaining issues require further review, such as the definitions of investment funds in the Commission's proposal. In the context of the review at Council level, under the current consultation procedure any changes to the existing proposals ultimately require a unanimous vote by all Member States.

46 Directive 2003/48/EC of 3 June 2003

47 See: http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/savings_directive_review/index_en.htm

3. Double Tax Treaties and investment funds

Following a Roundtable sponsored by the OECD's Centre for Tax Policy and Administration on 1-2 February 2006, governments and businesses agreed that work should continue on the issues discussed on this occasion, i.e. the granting of tax treaty benefits to income of collective investment vehicles (CIVs) and the procedural impediments to the effective delivery of tax treaty relief to eligible cross-border investors. As a follow-up a project was launched by the OECD's Committee on Fiscal Affairs (CFA) which was financed by the industry (including EFAMA). The Informal Consultative Group (ICG) established in the context of this project – consisting of representatives of governments and of businesses – has subsequently been working on principles and legal issues relevant to the treaty entitlement of CIVs and their investors. EFAMA participated in the work. In 2007 it organised a workshop with representatives of the OECD project. Phase I of the project was concluded with the publication of two reports on 12 January which, however, have not yet been officially endorsed by the OECD:

- Report on the Granting of Treaty Benefits with Respect to the Income of CIVs
- Report regarding Possible Improvements to Procedures for Tax Relief for Cross-Border Investors

Report on granting treaty benefits to income received by Collective Investment Vehicles
The report considers legal issues which are instrumental in granting treaty entitlement to investment funds and their investors. It contains a comprehensive set of recommendations with reference to the pertaining legal and policy issues, i.e. the conditions under which either investment funds or their investors are entitled to treaty benefits.

Report on procedures for addressing barriers to cross-border investments by portfolio investors
This part of the work deals in particular with the information flow between treaty-eligible investor and security issuer through existing chains of intermediaries. It sets out "best practices" with respect to the granting of treaty benefits.

Phase II of the OECD Project was launched at the beginning of 2009 with the establishment of a 'Pilot Group' (PG) of countries, including business, to concentrate on the following tasks:

- work on how the relief at source mechanism functions in the environment of Collective Investment Vehicles – "bridging between the two reports";
- work on an "implementation package" consisting in the development of standardised documents and processes;
- practical process of implementation by countries.

EFAMA organised a second Workshop on 23 March 2009; the representative of the OECD in charge of the project was present at this meeting. EFAMA will take a particularly active role in the future process which will relate to the central topic of the mechanisms for enabling relief at source in the environment of collective investment vehicles.

4. *Taxation issues deriving from UCITS IV*

From the beginning of the FSAP review process and UCITS IV discussions in 2003, the European investment management industry was much aware of the fact that taxation was one of the main stumbling blocks in a single market for investment funds. EFAMA, however, was adamant that the need for regulatory change should not be given up because of potential tax problems. This was made clear in EFAMA's comments in September 2006 on the report of the Expert Group on Investment Fund Market Efficiency where it underlined with respect to fund mergers that *"In no case should the Commission give up because of possible difficulties with respect to taxation – the issue is too important for the efficiency of the European investment fund industry!"*

Indeed, EFAMA has always maintained that these tax issues should be dealt with once the new regulation is adopted. This also means that the time is approaching when tax issues linked with certain new regulations in the UCITS Directive will require EFAMA's particular attention. In this context, three issues need to be considered: fund mergers, master-feeder funds and the management company passport.

In its 2005 Tax Discrimination Report *"Light at the end of tunnel"* published jointly with PwC[48], EFAMA drew attention to the fact that tax neutrality would be crucial for fund mergers. Taxation can act as a barrier if a fund merger causes a chargeable event for unit holders, i.e. if the merger results in the crystallisation of unrealised gains. This can happen at three levels:

- **Investor level**: as regards taxation of investors in the case of a merger, a precedent is set for introducing a measure of legislation on this subject by the Taxation of Mergers Directive[49], which establishes the principle that a merger should not result in a taxable event for the investor in the case of a cross-border merger of joint stock companies[50]. This principle should also be used as a solution for fund mergers;
- **Fund level**: a merger of funds should not incur tax at fund level in Member States. The Taxation of Mergers Directive provides an exemption from tax also in such circumstances;[51]
- **Portfolio level**: a merger of funds should not result into a taxable event at portfolio level –typically in the form of stamp duty or transfer tax on the sale of assets.

This is not only an issue in the case of cross-border mergers; the same taxation problems can arise from domestic mergers and are of particular importance if fund investors reside in different countries.

To overcome these problems, EFAMA has always favoured a specific *"Taxation of Fund Mergers Directive"* borrowing the principles of the Taxation of Mergers Directive. In contrast, the European Commission prefers a "Commission Communication".

48 http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=57&Itemid=-99

49 Directive 2005/19/EC [OJ L 58 of 04. 03. 2005] amending Directive 90/434/EEC on the common system of taxation applicable to mergers etc.

50 Article 8: "On a merger, division or exchange of shares, the allotment of securities representing the capital of the receiving or acquiring company to a shareholder of the transferring or acquired company in exchange for securities representing the capital of the latter company shall not, of itself, give rise to any taxation of the income, profits or capital gains of that shareholder."

51 Article 3: "A merger or division shall not give rise to any taxation of capital gains calculated by reference to the difference between the real values of the assets and liabilities transferred and their values for tax purposes…"

Regarding **master-feeder funds**, the tax issues are very different and not as well documented. Problems might arise in particular in connection with double tax treaties and taxation of dividends and/or capital gains from the master. In any case, the various master-feeder structures also need serious consideration from the point of view of taxation.

Again, a different tax problem might occur in the context of the **management company passport**: the lack of "substance" in the country of domicile of the fund might – against the definition of a fund's nationality by the Directive - lead to a territorial "re-qualification" of the fund by the tax authorities of the country of domicile of the management company claiming jurisdiction over the revenue and income of the fund. This issue too needs serious consideration and thorough studies of current practices.

VI. Pensions

The role of investment funds in retirement provision has been a strategic priority for EFAMA for many years. To underline this importance, EFAMA published in February 2009 a report entitled "Rethinking Retirement Income Strategies: How Can We Secure Better Outcomes for Future Retirees".[52] The report, which was prepared by Professor Raimond Maurer and Barbara Somova of the Goethe University in Frankfurt, demonstrates that the requirement to convert accumulated pension assets in an annuity at the time of retirement or shortly after is very costly for a pensioner. The report shows that introducing more flexibility in this area would produce potentially large welfare gains, for four key reasons:

- individuals can expect to enjoy a substantially higher consumption level if they keep a balanced asset allocation of their pension savings, at least for an extended period after retirement;
- permitting a more flexible choice among investment solutions for the payout phase allows to take into account people's preferences, level of risk tolerance, and other sources of wealth to tap into retirement;
- mandatory annuitisation denies pensioners the opportunity to provide relatives with an inheritance;
- a more balanced approach to payout solutions and a supportive tax and regulatory environment would also create incentives for the financial services industry to develop innovative alternatives to annuities.

To present the report and stimulate a debate on payout solutions, EFAMA organised a conference which was attended by participants from the industry, European institutions and the media. In his introductory remarks, EFAMA's President, Mathias Bauer, stressed the need to stimulate savings and modernise pension regulation and tax incentives to achieve greater flexibility in the choice of products. He also called upon the European Commission and international institutions to intensify efforts and assist Member States in adapting their regulation to enable their citizens to cope with Europe's ageing challenge.

The conference speakers included Elemér Terták, Director at the Commission's Internal Market DG, Pablo Antolin, Principal Economist in the Directorate for Financial and Enterprise Affairs at the OECD, Ieke van den Burg MEP, Member of the Steering Committee of the European Parliamentary Pension Forum, and Brian Reid, Chief Economist at the Investment Company Institute. An industry panel chaired by Fabio Galli, Director General of Assogestioni, also discussed the implications of the report for the asset management industry.

In general, all speakers agreed on the need for greater flexibility in the asset allocation of defined-contributions schemes, especially in countries where a large part of retirement income is already annuitised. The authorities should guarantee full equal competition in the market for payout solutions, in particular by allowing asset managers to enter the market. It was also recognised that tax incentives can play a useful role in stimulating the supply of new types of payout solutions as well as households' demand for these products.

In another area, EFAMA contributed to a report prepared by the Committee on Employment and Social Affairs (EMPL) of the European Parliament, entitled "The future of social security systems and pensions: their financing and the trend towards individualisation". In particular, EFAMA emphasised that:

52 The report can be downloaded from: http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=261&Itemid=-99

- Careful assessment is needed before European pension regulation moves towards a Solvency II-like capital requirement regime for pension funds. This led the European Parliament to call for a *"thorough impact assessment [of solvency regimes for Institutions for Occupational Retirement Provisions (IORPs)]…taking into account the specificities of the institutions for occupational retirement provision, such as the long-term nature of the pension schemes they operate and the type of risk coverage or guarantees provided by pension funds."*

- Pan-European pensions would improve cross-border mobility of European workers. As a consequence, the following quote was incorporated in the report: *"[The European Parliament] invites the Commission to undertake the preparation of an appropriate and feasible framework of regulation and supervision of pan-European pension products; stresses that an internal market for occupational and third-pillar pensions would allow individuals to enjoy portable occupational pension arrangements, stimulate competition and reduce the cost of saving for retirement."*

- A more favourable approach towards defined-contribution schemes should be adopted in the report. Based on our input, the report: *"emphasises the need for strengthened participation and contribution levels of employees in existing pension schemes in order to ensure adequate retirement income for individuals and emphasises the need for continued adequate contributions by employers, particularly in defined contribution pension schemes."*

In relation to the possible harmonisation of solvency rules applicable to IORPs, EFAMA outlined its position in a Consultation organised by the European Commission in the autumn of 2008.[53] In this context, EFAMA argued that IORPs that do not offer any products with guarantees and/or biometric risk coverage should be exempt from solvency regulation. This should also be the case where a IORP has outsourced guarantees and/or biometric risk coverage to a third party institution that itself is subject to solvency regulation, in order to avoid undue regulatory cost. The position of EFAMA was presented by Peter De Proft at the public Hearing organised by the European Commission on the harmonisation of solvency rules applicable to IORPs, held on 27 May 2009 in Brussels.

53 EFAMA's response to the Consultation can be downloaded from: http://www.efama.org/index.php?option=com_docman&task=doc_download&Itemid=&gid=817.

VII. Statistics and economic research

Statistics and economic research are an important tool for EFAMA to strengthen its position as reference source for investment management market intelligence.

1. EFAMA's first Annual Asset Management Report

To respond to the lack of a global perspective on the European asset management industry, EFAMA published in July 2008 a new Report providing a comprehensive overview of the European asset management industry across the investment fund and discretionary mandates' landscape. The report focused on the size of the industry, the location of the activity of asset management, the industry's clients and the asset allocation at the end of 2006. The second annual report was published in April 2009 with data at end 2007 and a first estimation of the impact of the financial crisis on the assets under management in Europe.

The key findings of the 2009 report include:

- At the end of 2007, the European asset management industry managed €13.6 trillion, representing more than one third of the assets of the global asset management industry. Due to the financial crisis and collapse in stock prices, the value of assets professionally managed in Europe might have fallen to around €10.7 trillion at end 2008.

- Reflecting the size of the domestic savings market, the degree of development of the local financial services sector and the level of financial delegation to asset management companies by institutional investors, the United Kingdom, France and Germany together accounted for 66% of total assets under management in Europe at the end of 2007. Italy and Belgium followed in this ranking.

- Investment funds represent 51% of assets managed in Europe, with discretionary mandates accounting for the remaining 49%.

- Although there are large differences across countries, on aggregate, the dominant asset classes are bond and equity, with 40% and 37% of total asset under management respectively, at end 2007.

- About 70,000 people are working directly in the European asset management industry. Taking related services into account, such as accounting, auditing, custodianship, marketing, research, order processing, as well as distribution, the overall level of direct and indirect employment linked to asset management companies would increase to a significantly higher figure.

2. EFAMA's new Investment Fund Industry Fact Sheet

In 2008, EFAMA began to collect investment fund statistics on a monthly basis from its member associations, starting with the data for October. The goal of this initiative is to inform EFAMA members about the latest developments in the industry and to support EFAMA discussions with the EU Commission, ECB and other policymaking bodies.

3. New survey on the Global Brand Status of UCITS

In 2008, EFAMA conducted in cooperation with Lipper FMI a survey on the importance taken by UCITS as a global brand. Twenty-eight fund groups distributing their UCITS globally with combined assets of €770 billion participated in the survey. The survey highlighted that 90% of the net sales of the international UCITS promoted by the participating companies originated from Asia in 2007. Consequently, at end 2007, UCITS sourced from Asia and Latin America reached 14% and 3% of international UCITS assets managed by the participating fund managers, respectively.

These findings underline the rise of UCITS as a "gold standard" in Asia and other overseas regions, confirming the innovative character of UCITS, its high level of investor protection and its status as the only Europe-based retail financial product that has achieved broad investor acceptance inside and outside of Europe.

A second survey was published in April 2009. It showed that the global financial crisis had a severe impact on net sales of cross-border UCITS in Europe and Asia in 2008. Net sales remained positive in Latin America and the Middle East in 2008, albeit at low levels. Looking forward, 66% of the participants expect a recovery of net sales of UCITS in Europe in 2009 and 50% expect a similar recovery in Asia this year.

VIII. Technical industry standards

Increasing the efficiency of the industry is another of EFAMA's top priorities; setting technical industry standards contributes to achieving this goal. In the reporting period, EFAMA continued working in this area.

1. Fund Processing Passport (FPP)

Following the release of a revised version of the Fund Processing Passport (FPP) in May 2008, EFAMA conducted a survey to gather information on the importance given by fund management companies to the FPP and to assess the need to create a central entity at the European level. The survey confirmed that for twenty-six out of the twenty-eight participating management companies, the FPP is an important tool for fund promoters that will provide a payback. A strong majority of participants also indicated that there was a need for a central access point to facilitate the access of FPPs by distributors from a single location and to offer multi-domicile fund managers the possibility of downloading and/or publishing their FPPs in a single place.

After careful consideration, EFAMA's Board of Directors supported the idea of creating a Portal providing links to the local FPP databases as well as to the databases of fund managers producing FPP themselves. Ideally the Portal should contain a search engine that would allow finding FPPs via their ISIN and via the name of their promoters. A Portal is expected to bring a good percentage of the benefits from a central access point, in particular in terms of access to facilitating the access of all existing FPPs from a single location. It is also a low-cost solution, which is a constraint that needs to be met under the current market circumstances. Looking forward, the Portal could be developed into a more ambitious solution as the FPP continues to roll out and become more established and a better understanding is gained on the implications for its administration and distribution.

2. New fund processing standardisation recommendations

To accelerate the standardisation of processes in the whole value chain and thus increase efficiency in the processing of fund orders and achieve further cost savings, EFAMA published in September 2008 a set of new recommendations.[54] They were prepared by EFAMA's Fund Processing Standardisation Group (FPSG) and not only consolidate the recommendations published by EFAMA in 2005 but also cover three "new" service areas:

- **Holding and transaction reporting**: the recommendations focus on the frequency and timeliness of the reporting of holdings and transactions provided by fund administrators with a view to increasing services to distributors and institutional holders.

- **Commission handling**: the recommendations aim at streamlining the remuneration of fund distributors. Standardised distribution agreements to ensure the correct and timely calculation and reporting of fund distributor remuneration should be put in place between the fund sponsor and anyone to whom fees or commissions are to be paid. Distributors should be more easily identified (by BIC codes) to provide the "commission calculation agent" with the information necessary to allocate the payment correctly.

54 See http://www.efama.org/index.php?option=com_docman&task=cat_view&gid=88&Itemid=-99

- **Settlement cycles**: a further recommendation has been included concerning settlement, to encourage harmonisation around a T+3 cycle in line with direction of the markets of other securities, except where it would be inappropriate in view of the underlying fund assets.

3. European Fund Classification

A further step towards more efficiency was the launching by EFAMA of a new fund categorisation system – the European Fund Classification – in June 2008. The main goal of this initiative is to improve choice for pan-European fund distributors and their clients through a set of new standards designed to facilitate easy comparison of funds across the most popular investment sectors.

The EFC was developed by the European Fund Categorization Forum (EFCF) – a working group of EFAMA composed of representatives from some of Europe's largest asset managers, data providers as well as national associations.

EFAMA is committed to encouraging the adoption of EFC as the industry standard. Adoption will not take place overnight, as different fund classifications are currently used in many diverse ways across Europe. But now that the new classification has become reality, convergence should accelerate.

The classification results are provided free-of-charge on EFAMA's website, together with relevant information concerning the EFC.[55]

4. XML Data Dictionary

To facilitate automated communication and to seek a remedy for the lack of interoperability between the various data reporting standards existing in Europe and globally, EFAMA set up in 2007 a Working Group aimed to develop an XML Data Dictionary. This Working Group (DDWG) achieved significant progress in 2008 towards the providing of concise definitions of data terms and relations for all possible fund related data.

The Dictionary should be used as a device for facilitating (automated) communication in the context of the present 3-4 different European XML initiatives. Its users will primarily be professional actors in the industry, such as rating agencies, central banks, supervisors, sales agents and fund companies. The initiative focuses at present merely on reference data, which in the future may be extended to include transactional data.

5. Global Investment Performance Standards (GIPS)

To contribute to the advancement of GIPS and to promote their use for the ultimate benefit of investors, EFAMA has become an associate member of the Europe, Middle East, and Africa Regional Investment Performance Subcommittee (EMEA RIPS), a subcommittee of the GIPS Council. In close cooperation with our members, we will also participate actively in the work of the EMEA RIPS.

55 See http://www.efama.org/index.php?option=com_wrapper&Itemid=45

IX. Communication

Communication is key for EFAMA for a number of reasons, namely:

- In order to raise the profile of the industry, efficient communication to members, political decision-makers and the public is essential. Defining the key messages to communicate is equally important (in particular in crisis situations) as is finding the most appropriate means for communicating them.

- Raising awareness of European decision-makers on issues regarding investment management is important to create a regulatory environment which meets the needs of the industry; in Chapter II., points 2-5 of this report we dealt with this issue and demonstrated the importance of an adequate legal framework for business.

- Finally, EFAMA must continue to make its corporate members a vital part of the life of the association and allow EFAMA to benefit from their experience. A recent survey has shown that EFAMA's forty-four corporate members (including nine of the Top Ten European money managers and thirteen of the Top Twenty) are mainly interested in being part of the opinion-building process and having EFAMA as a reliable source of information.

EFAMA resorts to a multitude of tools to communicate its key messages:

- regular publications & analyses of industry trends such as quarterly (in the future monthly) statistics, a yearly Asset Management Report, a yearly report on the global dimension of UCITS, a yearly Fact Book and specific reports (such as the recent pensions report on payout solutions);
- organisation of conferences and seminars (EFAMA Investment Management Forum, "Maurer Pensions Conference");
- use of other events to communicate EFAMA messages (International FundForum, joint meeting with the ICI's International Committee[56], International Investment Funds Association (IIFA)[57] Conference, Wilton Park Conference);
- regular contact with all regulatory bodies in and outside Europe;
- regular contacts with other institutions in and outside Europe;
- regular press releases, press conferences, interviews;
- regular contact with corporate members and the media in EFAMA member countries.

Some of the above have been mentioned elsewhere in this report, others are described hereafter.

1. The EFAMA Investment Management Forum

Once a year EFAMA holds a conference for the European industry, regulators and legislators to discuss issues of mutual interest. Since our first conference in 1995, this event has attracted an increasing number of senior-level delegates and has developed into a unique forum for an exchange of views between the industry and regulators.

56 Our counterpart in the U.S., the Investment Company Institute, www.ici.org

57 IIFA = the International Investment Funds Association, www.iifa.ca

The 2008 conference was held on 25 and 26 September in Geneva. Against the statistical background showing that investment funds are increasingly being distributed only indirectly to retail investors, the first day focused on the role of institutional investors (funds of funds and insurance wrappers) and private bankers for fund distribution. The second day was dedicated to Asia, in particular Greater China. Keynote speakers included David Wright, Deputy Director General at the Commission's Internal Market DG and Patrick Odier from Lombard Odier Darier Hentsch & Cie.

We are now preparing the programme for this year's conference to be held on 1 and 2 October in Brussels. The title for this event is *"Investment Fund: Winning in a Changing Savings World"* and will focus on asset management. The first day will be dedicated to Europe and the second to what is happening in the United States and Asia, in particular Hong Kong, Malaysia and Singapore.

2. Yearly joint meeting with the ICI's International Committee

The yearly joint meeting of EFAMA members and the ICI's International Committee are traditionally held in May in Washington D.C., directly before the ICI's General Membership Meeting. They are aimed to intensify contacts between the European and the U.S. investment fund industry and identify issues of mutual interest.

Over the past decade this meeting has developed from a discussion forum into to an effective instrument for analysing regulatory trends and for sharing experiences of mutual interest. The 2008 meeting was co-chaired by the Chairman of the ICI, David Oestreicher (T.Rowe Price), and EFAMA's President, Mathias Bauer; the agenda included issues such as:

- Reactions and lessons learned during the market turmoil
- Disclosure simplification (KID in Europe and "Summary Prospectuses" in the U.S.)
- SEC discussions on mutual recognition
- Global fund model and US Treasury blueprint

The discussion about a UCITS-type U.S. mutual fund being able to be marketed globally was particularly interesting.

3. The Wilton Park Conference

For the past three years EFAMA, the *European Financial Forum*, the *Deutsches Aktieninstitut* and *Paris Europlace* have co-sponsored the prestigious Wilton Park Financial Market Conference held in Wiston House near London.[58] Wilton Park conferences are well-known for providing an excellent environment for leading opinion formers to discuss topical issues in a unique atmosphere. As a rule, they start on a Friday afternoon and close on the Saturday at lunchtime.

The 2008 Conference (21-22 November) had as main theme the restoring of confidence in global financial markets and was chaired by Mr Eddy Wymeersch, the Chairman of CESR. Speakers included Robert

58 For the full description of Wilton Park Conferences, please see www.wiltonpark.org.uk

McCauley (Senior Adviser, Monetary and Economic Department, BIS, Switzerland), Prof Jing Xuecheng (People's Bank of China, Beijing), Fernando Restoy (Vice-Chairman, CNMV, Spain), Julie Erhardt (Deputy Chief Accountant, SEC, Washington D.C.), Hubert Reynier (Managing Director, AMF, Paris) as well as EFAMA's Vice-President, Jean-Baptiste de Franssu.

Together with the other co-sponsors we are currently preparing the 2009 Conference which will take place on 30-31 October and will be chaired by Hans Hoogervorst, Chairman of the Dutch AFM and former Minister of Finance and Minister for Economic Affairs of the Netherlands. Jacques de Larosière, Chairman of the High Level Group on Cross-border Financial Supervision, has already accepted to introduce the conference.

4. The 23rd International Investment Funds Conference

The International Investment Funds Association (IIFA)[59] is a group of thirty-five investment fund associations from across the globe. Its 2008 Annual Meeting was hosted by the Investment Funds Institute of Canada and took place in early October in Montréal (Canada), where the association's support office is located.

Driven by current financial events, the conference focused on the onset of the market turmoil and the impact of the credit crunch on the investment fund industry. Other issues on the agenda included:

- Privatisation of retirement savings and how investment funds are responding
- IOSCO: Growing impact on domestic regulatory decisions, key regulatory issues and IIFA's role in this game
- IFRS: EFAMA's 2007 Discussion Paper as a globally accepted summary of the state of discussion
- How fund associations serve their members with examples from Chile, Korea & Luxembourg
- Solving conflicts of interest with examples from Europe and China

59 For more information see: www.iifa.ca

X. The outlook on 2009/10

EFAMA's agenda for this year and the next will be dominated by assimilating the lessons learned from nearly two years of financial crisis and the Madoff affair on the one hand and the completion of a number of regulatory and fiscal dossiers on the other. Most of these issues will also be carried over to the Commission's agenda in 2010-2014. Two important dimensions must be taken into account:

- consolidating investors' trust in asset managers and investment funds and strengthening the UCITS brand;
- adapting our industry to the new environment.

The Commission's 2010-2014 programme regarding financial services is currently under elaboration to be ready by the time the new Commission starts to work at the end of this year. This means not only concluding current initiatives, but more importantly, including new regulation for all sectors.

It is not possible to draw a clear distinction between the various priorities to be tackled as many are linked and most also have a regulatory aspect that needs to be considered. For example, "assimilating the lessons learned" implies putting into place new regulation or adapting existing regulation. More concretely, the issues listed below have been identified throughout this report as potentially top-of-the-list priorities.

1. *"Assimilating the lessons learned"*

1.1. Implementing the Recommendations of the de Larosière Group

Of all the issues mentioned, this is probably the most relevant for politicians and regulators as much remains to be done under the current Commission. The road map for legislative proposals will be presented in the second half of this year and the new supervisory framework will enter into force towards the end of 2010.

1.2. Coping with the Madoff affair

One of the issues brought to light by the Madoff affair is the responsibility of fund managers and depositaries regarding the safekeeping of the fund's assets. The main task of EFAMA's Depositaries Working Group will be to clarify the obligations and responsibilities of depositaries and fund managers:

- for the depositary side, draft high level best practices for the safekeeping function of UCITS depositaries and analyse due diligence by the depositary to the appointment and oversight of sub-custodians;
- for the fund manager side, draft principles regarding due diligence when choosing a depositary for the fund.

2. Consolidating investors' trust in asset managers and investment funds and strengthening the UCITS brand

A crisis often acts as a wake-up call, but investment managers should never forget that retaining the trust of investors is essential. In this the strengthening of the UCITS brand is vital and there are numerous related issues, many of which have been discussed elsewhere in this report. Three in particular are worth highlighting:

2.1. Preserving the integrity of the industry

In its ongoing efforts to stress that fund governance is key in the consolidation of investors' trust, EFAMA in 2002 drafted a set of high level principles and industry best practices covering the full value chain. The issue is due back on the agenda in the context of the upcoming discussions on UCITS IV implementing measures in relation to the organisational and operating conditions to be complied with by fund management companies as well as conduct of business rules (Articles 12 and 14 of the new Directive).

The mandate the Commission gave to CESR for Level 2 advice was fairly broad: "maximum alignment with the relevant MiFID rules; and: "CESR should not restrict itself in suggesting provisions aimed at addressing specific characteristics of the UCITS/management companies and reflecting lessons drawn from the recent market developments". Whilst devoting all its energies in helping CESR to describe clearly the necessary measures to implement UCITS IV, EFAMA must also ensure that CESR respects the principle of proportionality (as requested by the Commission in its mandate), that measures do not go beyond what is necessary to make UCITS IV work and that they do not lead to excessive administrative or procedural burden.

2.2. Treating customers fairly

Investors' trust in fund managers is largely related to distribution. The gap between asset managers and retail investors has widened considerably in past years. The role of distribution (including the issue of product suitability) must be addressed. The industry should ask itself whether MiFID really ensures that investors get suitable advice (which was one of the goals of MiFID) and if not, what could be done. "Treating customers fairly" is more than ever a key issue.

2.3. Enhance product proposition

Providing clear and easily understandable products and solutions to retail investors, in particular for long-term and pension savings, might contribute to strengthen investors' trust in our industry. The 2009 EFAMA Investment Management Forum (1-2 October, Brussels) will focus on this issue. The industry should not only discuss how far it is willing to go in broadening UCITS eligible assets, but also whether "simpler" products might be in the best interest of (retail) investors.

3. Completing fund regulation

Fund regulation will continue to be top of EFAMA's regulatory agenda in 2009 and 2010. There are two major undertakings: UCITS IV and the new Directive on Alternative Investment Fund Managers.

3.1. UCITS IV

Ensuring that this new Directive is effective will be a major challenge in terms of the number of issues at stake and the time constraints.

In a first step, the responsibility lies with CESR which has to advise the Commission by 30 October 2009 on a long list of issues. In a second step, the Commission must transpose CESR's advice into implementing measures to be formally adopted by 1 July 2010 to allow for simultaneous implementation of both Levels 1 and 2 regulation by 1 July 2011.

The scope and content of these measures are defined by the implementing powers of the Commission as defined in the UCITS IV Directive. They include measures relating to the management company passport, key investor information and fund mergers, master-feeder structures, and notification procedure.

In addition to the difficult issues related to key investor information (for example the description of a fund's risk/reward profile), particular care should be given to the planned alignment between MiFID and UCITS implementing measures regarding organisational requirements, rules of conduct and conflicts of interest for the management company. Indeed, the issue is on CESR's agenda since the Lamfalussy procedure was first extended to UCITS; the introduction of the management company passport (MCP), combined with a new wording in Articles 12 and 14, gives the Commission and CESR the possibility to deal with this issue at Level 2.

Whilst the alignment between MiFID and UCITS implementing measures is officially linked with the MCP, it goes far beyond and in any case was never discussed before, not even within the industry. EFAMA welcomed the alignment, but again, it will be crucial to ensure CESR maintains the principle of proportionality (as also requested by the Commission in its mandate) and takes due account of the specificities of the investment management business whilst aiming for consistency and coherence in financial market legislation.

Another issue up for discussion will be risk management. Although new Article 51 remains unchanged compared to the existing Article 21 and the principle that all material risk incurred by a UCITS should be accurately measured was already included in the 2004 Commission Recommendation on the use of financial derivatives for UCITS, a new dimension has been added to the issue as a result of the recent financial market turmoil. The Commission is of the strong opinion that "the powers given to the Commission to specify criteria for assessment of risk management processes should be exercised to the greatest possible extent as is necessary to ensure such processes are fit-for-purpose". EFAMA, on the other hand, argues that future Level 2 implementing measures should follow the approach taken by CESR in the "Risk Management Principles for UCITS" of February 2009 and should not go beyond these principles in order to grant asset managers the necessary flexibility to adapt the procedures to a permanent changing environment.

It will be a challenge to defend all these industry views under the current time constraints and will require a strong and unified position from the industry.

3.2. The AIFM Directive

The Commission's proposal for a Directive on Alternative Investment Fund Managers will come under close scrutiny by all interested parties: not only between the various legislative bodies (some of the European

Parliament's political groups have already voiced strong opposition), but also between the Commission and certain Member States, and of course among the European investment management industry.

It will not be easy to reach a common European industry position because in some respects, e.g. cross-border distribution of third country funds, opinions vary amongst EFAMA's membership. Nevertheless, EFAMA should aim for a solution which:

- fits within the existing regulatory architecture,
- does not undermine the UCITS Directive and the UCITS brand,
- preserves the existing high level of retail investor protection not only with respect to UCITS but also with respect to many retail funds regulated only at national level,
- maintains the competitiveness of the European investment fund industry, and
- provides for a pan-European private placement regime.

Another question that might be raised in this context is the extent to which this proposal will dash any hope the European fund industry might have entertained regarding a pan-European regulatory framework for non-harmonised retail products, such as OEREFs and funds of hedge funds.

4. Supporting the establishment of a true level-playing field

The Commission's recently published Communication on Packaged Retail Products[60] is undeniably a big step forward towards EFAMA's strategic goal of a level playing field for:

- competing savings and investment products,
- more cross-sectoral coherence in financial products, and
- transparency regulation.

The Commission's proposals focus on product disclosures and sales processes for all packaged retail investment such as investment funds, unit-linked life insurance policies, retail structured securities, and structured term deposits. In its Communication the Commission states that "a sustainable and satisfactory regulatory environment for the sale and disclosures of packaged retail investment products cannot be established unless the deep seated differences flowing from European legislation are tackled."

The Commission is expected to publish a first outline of the possible form and content of the proposed measures. The document will be open for public consultation. The most significant concern of our industry will be to avoid any subsequent "watering down" of the measures described in the Communication.

5. Overcoming tax obstacles

Tax related-issues continue to be one of the biggest barriers for a single market in investment management. The UCITS IV measures taken to increase the efficiency of the industry will only function if these obstacles

60 http://ec.europa.eu/internal_market/finservices-retail/investment_products_en.htm

are overcome. In order to achieve a level fiscal playing field, the discussions and work surrounding the VAT Directive and the Savings Taxation Directive need to be carefully and actively monitored.

6. Embracing the challenge of building pensions in Europe

Based on its two studies (the "Oxera Report" and the "Maurer Report", both referred to elsewhere in this report) EFAMA will have to continue promoting the development of an efficient pan-European pension framework. Also, the role of asset managers in the pensions area must be underscored, in particular regarding asset management solutions for the payout phase.

7. Increasing the efficiency through technical standardisation

7.1. Implementing the agreed fund processing measures

In line with the progress achieved in 2008, EFAMA has set itself five objectives:

- launching a tender and selecting a service provider for the implementation of a Portal to facilitate the distribution of FPPs at European level;
- publication of some Key Fund Processing Standardisation Indicators to monitor progress towards fund processing standardisation;
- publication of a new brochure updating the business case for ISO 20022, with an electronic version for easy up-to-date information;
- developing recommendations concerning transfers, commission processing and distribution agreements, and account opening for inclusion in a updated FPSG report.

7.2. European Fund classification

Following the launch of the European Fund Classification Scheme in 2008, it will be important to continue its promotion at European level with the aim of making it a generally accepted standard.

European Investment Fund Developments in 2008

Introduction

2008 was a very difficult year for the European investment fund industry. European investors and fund managers suffered from the worsening of the global financial crisis, which started in the United States in the summer of 2007 to become one of the harshest financial and economic crises in history. Three main factors explain why investment funds were severely hit:

- Crisis in financial markets: the massive losses recorded in stock markets across the globe led many investors to pull out record amounts, thereby accelerating the decline in stock prices and equity fund assets. In parallel, the liquidity crisis and the fear of credit and counterparty losses following the bankruptcy of Lehman Brothers led to a breakdown of credit and money markets, which accelerated outflows from bond funds. The difficulties experienced by some money market funds also led many investors in money market funds to redeem their shares in the autumn of 2008.

- Competition from banks: investment funds continued to suffer from competition from structured products and bank deposits. The war for deposits escalated further when European governments decided to provide guarantees for all bank deposits.

- Fear of recession: the worsening of growth prospects for Europe in the second half of 2008 put downward pressure on investor demand for investment funds. This development is in line with our research findings that confirm the importance of stable economic conditions for household demand for investment funds.

The direct consequences of the crisis for the European fund industry can be summarised by the following figures: total investment fund assets fell by 23% in 2008, or €1,799bn, with UCITS recording total net outflows of €344bn, or 6% of UCITS assets at end 2007. It is important to note that net outflows were responsible for only 19% of the UCITS asset decline, while market losses accounted for the remaining 81%. Furthermore, almost 40% of the total outflows from UCITS in 2008 were recorded in the single month of October, when the financial world was on the edge of collapse.

Reflecting these developments, the amount of investment funds per inhabitant dropped in 2008, decreasing for the first time since 2002. Investment fund assets in relation to GDP also decreased significantly in the EU-15 from 66% in 2007 to 51% in 2008.

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

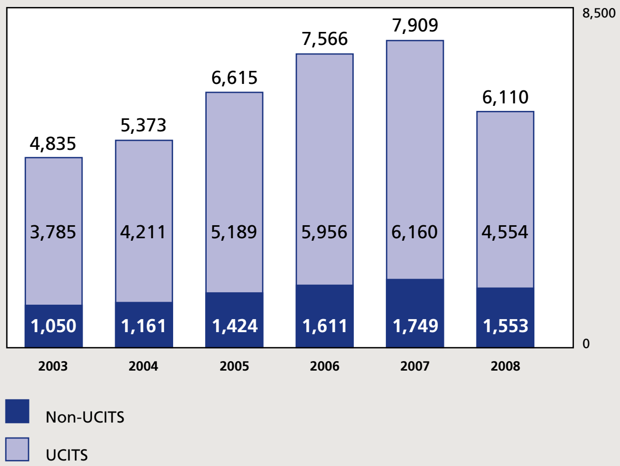
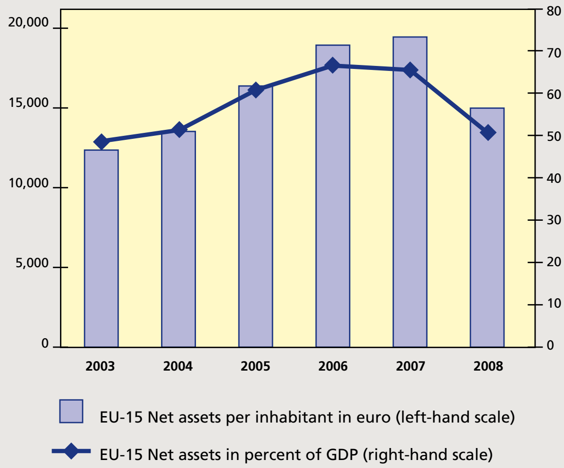


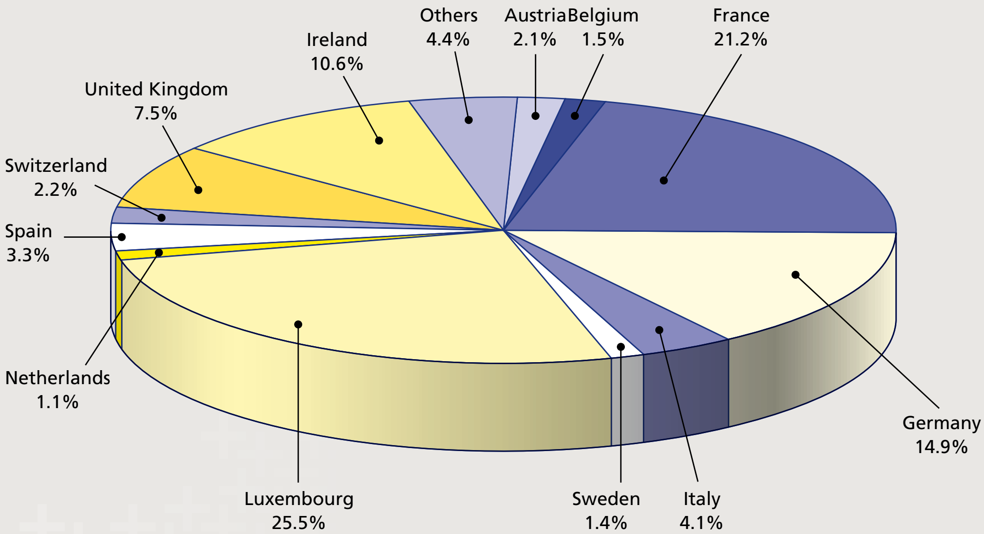
Chart 2. Trends in Investment Funds in EU-15



Source[1]: EFAMA, European Commission

Three countries – Luxembourg, France and Germany – held a cumulative share of 61.6% of the industry's assets at end 2008. Ireland, the United Kingdom and Italy followed in this ranking (Chart 3).

Chart 3. The European Investment Fund Market
(Breakdown of nationally domiciled funds at end 2008)

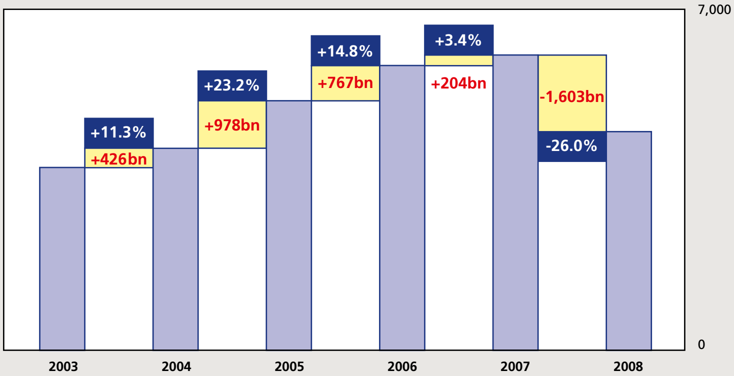


1 Except noted otherwise, EFAMA is the source of data.

Trends in the UCITS Industry

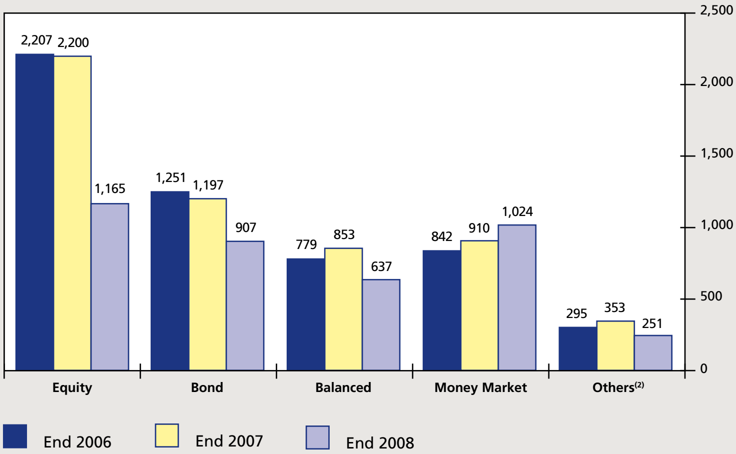
Total assets in the UCITS[2] market declined to €4,557bn at end 2008. Compared with end 2007, total net assets decreased by 26%, or €1,603bn (Chart 4).

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



UCITS assets declined in all fund categories in 2008, except for money market funds (Chart 5). Equity funds experienced the highest decline (-47% or €1,035bn), of which 84% can be attributed to market losses. Other fund assets, which include funds of funds, funds of hedge funds and all funds whose strategy falls outside the four main UCITS categories, decreased by 29% followed by balanced funds (-25%) and bond funds (-24%). On the other hand, money market funds enjoyed positive asset growth (13%), benefiting from strong inflows at the beginning of the year, before the worsening of the crisis in money markets.

Chart 5. Net Assets by Type of UCITS(1)
(EUR billions)



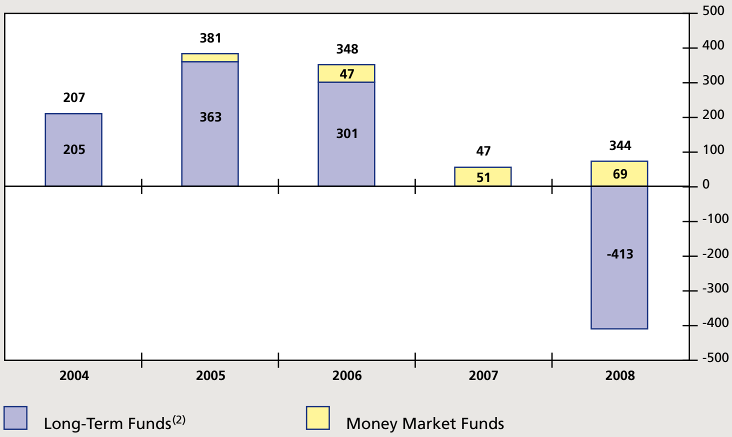
(1) Excluding Ireland and the Netherlands for which no asset breakdown by type of funds is available.

(2) Including funds of funds.

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

In 2008 UCITS funds experienced outflows amounting to €344bn, with all fund categories registering negative flows except money market funds. The fund industry had never experienced such negative outflows in a single year.

Chart 6. Net Inflows into UCITS(1)
(EUR billions)



(1) Excluding Ireland.

(2) All UCITS excluding money market funds.

Bond funds suffered the strongest outflows in 2008 (€177bn), being mainly affected by the liquidity crisis and the fear of credit and counterparty losses following the bankruptcy of Lehmann Brothers. Equity funds followed with net outflows of €164bn. Balanced funds and other funds also registered net outflows, albeit to a lesser degree. Even if the worsening of the financial crises led to some outflows in September and October 2008, money market funds enjoyed net inflows of €69bn in 2008, confirming their traditional role of safe haven investment in times of market stress. Taking into account inflows into the Irish-domiciled market fund, net inflows are estimated to have reached about €100bn.

Chart 7a. Net Inflows to UCITS
(EUR billions)

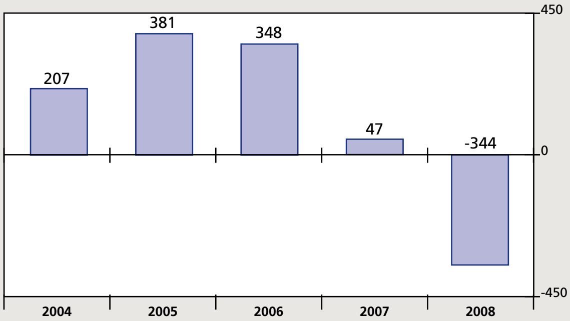


Chart 7b. Net Inflows into Equity Funds
(EUR billions)

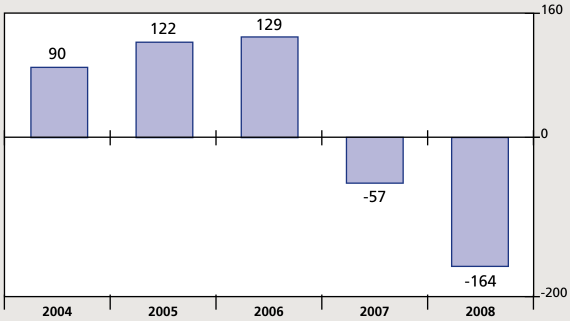


Chart 7c. Net Inflows into Balanced Funds
(EUR billions)

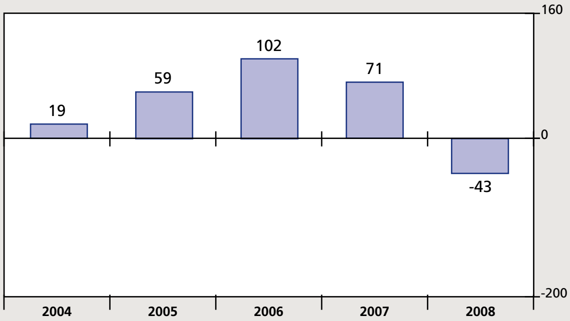


Chart 7d. Net Inflows into Bond Funds
(EUR billions)

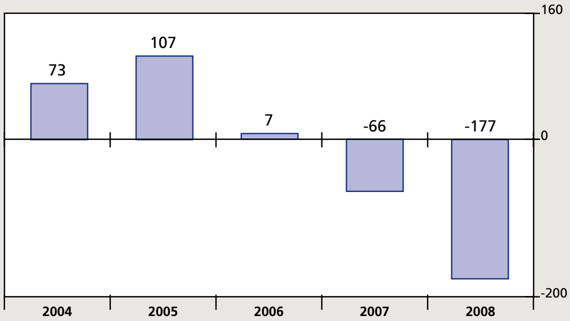


Chart 7e. Net Inflows into Money Market Funds
(EUR billions)

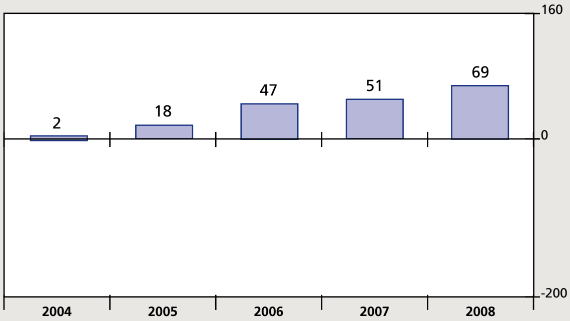
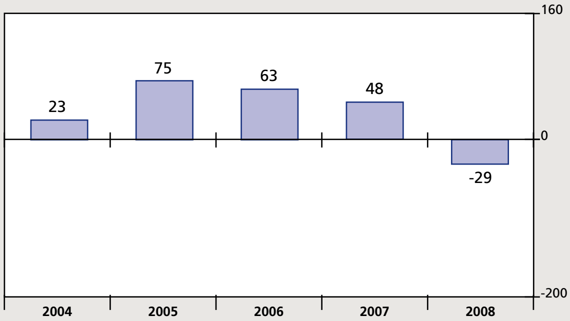


Chart 7f. Net Inflows into Other Funds
(EUR billions)

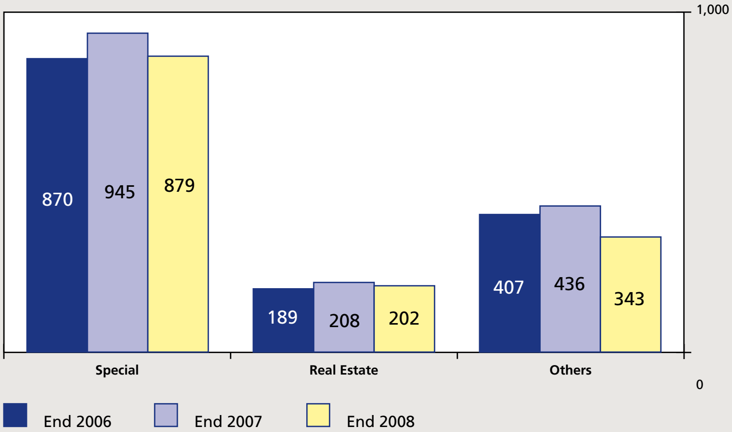


Trends in the Non-UCITS Industry

Total assets in non-UCITS decreased by 11.5%, reaching €1,546bn at end 2008. Special funds for institutional investors remained appealing in 2008 (especially low-risk institutional funds), thereby limiting the impact of stock market losses on fund assets. Overall special funds collected €51bn in new money in 2008, compared to €76bn in 2007. Inflows were concentrated in funds domiciled in Luxembourg and Germany.

Assets in real estate funds decreased by 3% in 2008, whereas "other" non-UCITS assets fell by 21%.

Chart 8. Net Assets by Type of Non-UCITS(1)
(EUR billions)



(1) Excluding Ireland for which no asset breakdown by type of funds is available.

Trends across Europe

Looking at net flows in the leading countries, it can be observed that 90% of total net outflows originated from five countries: Luxembourg (€106bn), Italy (73 billion), Spain (€57bn), France (€45bn) and Germany (€19bn). In relation to UCITS assets at end 2007, outflows remained negligible in the United Kingdom (less than 1%), and relatively small in France (3%), Luxembourg (6%) and Germany (7%). In Spain and Italy, net outflows reached considerable levels (21% and 26%, respectively), reflecting strong competition from bank deposits at distribution level.

Elsewhere, outflows reached dramatic proportions in Greece (40%) and Portugal (38%). It is also worth noting that Norway, Romania, Liechtenstein, Sweden and Switzerland recorded positive inflows in 2008.

Net inflows to UCITS in 2008

Country	Net inflows (in EUR bn)	Country	Net inflows (in % of end 2007 assets)
Switzerland	12.4	Romania	32.3
Sweden	2.9	Switzerland	10.4
Liechtenstein	1.4	Liechtenstein	7.7
Romania	0.1	Sweden	2.2
Norway	0.0	Norway	0.1
Bulgaria	-0.1	U.K.	-0.2
Slovenia	-0.3	Netherlands	-3.3
Slovakia	-0.9	France	-3.3
Czech Rep.	-1.2	Poland	-4.4
Poland	-1.4	Denmark	-4.7
U.K.	-1.4	**EUROPE**	-5.4
Hungary	-1.7	Luxembourg	-5.8
Netherlands (1)	-2.6	Germany	-7.0
Denmark	-3.3	Belgium	-7.1
Finland	-7.9	Slovenia	-10.4
Portugal	-8.2	Austria	-12.9
Belgium	-8.5	Finland	-14.3
Greece	-8.8	Hungary	-17.4
Austria	-14.4	Czech Rep.	18.3
Germany	-18.6	Spain	-21.2
France	-44.9	Slovakia	-23.0
Spain	-57.2	Bulgaria	-23.6
Italy	-73.3	Italy	-25.7
Luxembourg	-106.0	Portugal	-38.0
EUROPE	-343.7	Greece	-40.5

(1) Net Sales for Q1-Q3 only.

Among the fund industry leading countries, Luxembourg, Italy, Spain and the United Kingdom recorded the strongest decline in investment fund asset in 2008, in the range of 24% to 39%. For the United Kingdom, 50% of the decline can be attributed to the depreciation of the pound sterling against the euro. In Ireland and France, the drop in assets was limited to 20% and 14%, respectively, thanks to the importance of the money market fund industry in these countries. By way of illustration, French-domiciled money market funds saw their assets increase by €58 billion in 2008, or 13%. In Germany, the high share of special funds contributed to limit the total fund asset decline to 13%.

The Nordic countries also suffered seriously from the crisis in 2008, experiencing a fall in assets in the range of 26% to 42%. The traditionally high equity exposure in those countries explained these developments. It is worth noting that Norway and Sweden were the two most severely hit countries, even though these countries did not record net outflows.

In Central Europe, Bulgaria, Poland and Slovenia suffered a fall in net assets ranging from 54% to 62%, which reflected the high proportion of their balanced and equity funds that characterises the investment fund industry in these countries. Although the Czech Republic and Hungary had recorded an asset decline of only 5% in January-September 2008, these countries were severely hit by the worsening economic crisis in October 2008. Elsewhere, the drain from UCITS to banking products badly affected the fund industry in Portugal and Greece, which saw their UCITS assets fall to around €10bn.

Net Assets of Nationally Domiciled UCITS and Non-UCITS
(EUR billions, at end 2008)

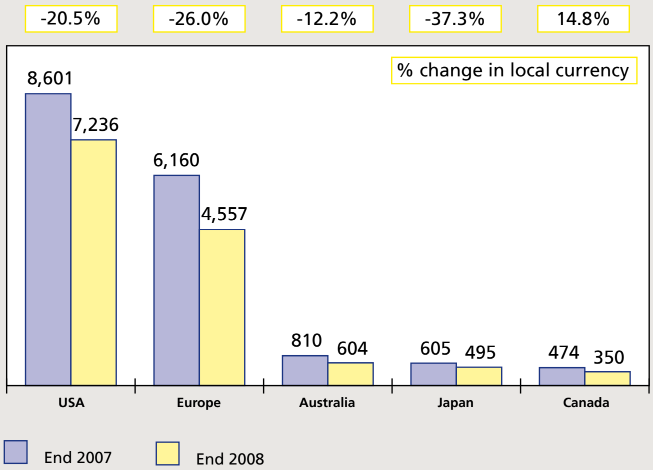
Members	Total Assets	%chg[1]	UCITS Assets	%chg[1]
Luxembourg	1,559.7	-24.3%	1,337.0	-26.7%
France	1,294.9	-14.2%	1,143.3	-15.4%
Germany	911.3	-12.5%	184.9	-30.5%
Ireland	647.1	-19.7%	517.7	-19.9%
United Kingdom	458.1	-39.0%	396.4	-38.5%
Italy	252.5	-29.4%	189.4	-33.6%
Spain	203.5	-27.0%	194.7	-27.7%
Switzerland	134.8	-20.2%	98.3	-17.5%
Austria	127.7	-22.9%	79.7	-28.4%
Denmark	97.8	-25.6%	46.8	-33.7%
Belgium	91.9	-27.4%	87.2	-27.4%
Sweden	86.6	-37.9%	84.7	-37.9%
Netherlands	67.5	-25.8%	55.6	-28.1%
Finland	41.3	-37.4%	35.0	-36.4%
Norway	29.6	-41.6%	29.6	-41.6%
Portugal	25.1	-30.8%	10.9	-49.8%
Liechtenstein	18.0	-11.8%	16.0	-14.2%
Poland	17.4	-53.5%	12.8	-58.7%
Turkey	13.5	-25.2%	11.2	-27.0%
Greece	10.3	-54.9%	9.3	-57.3%
Hungary	9.5	-24.8%	7.2	-27.1%
Czech Republic	4.5	-30.5%	4.4	-31.0%
Slovakia	3.3	-17.4%	3.1	-18.0%
Slovenia	1.9	-54.9%	1.5	-48.4%
Romania	1.7	-51.6%	0.2	-11.9%
Bulgaria	0.2	-62.4%	0.2	-62.4%
TOTAL	**6,109.6**	-22.8%	**4,557.1**	-26.0%

(1) End 2008 compared to end 2007.

Trends in Worldwide Investment Fund Assets

Worldwide investment fund[3] assets under management decreased by 21% in 2008 to €14,336bn. Measured in U.S. dollar terms, fund assets decreased by 25% to $19,947. Measured in local currency and taking into account funds of funds, U.S. mutual fund assets declined by 20.5% (Chart 10). The other markets in the world also showed negative growth with a 37% decrease in Japan, reflecting a significant fall in equity funds and funds of funds assets.

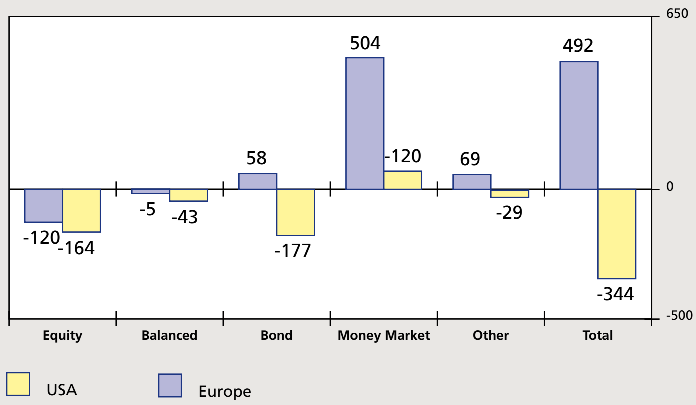
Chart 10. Trends in Worldwide Investment Fund Assets
(EUR billions)



Source: EFAMA, ICI

Worldwide net inflows into investment funds reached €236bn in 2008, with the United States attracting €492bn, compared to €344bn outflows in the Europe (Chart 11). Important net flows into money market funds in the United States (€504bn) in 2008, as well as the resilience of bond funds to the crisis, explained the contrasted development on both sides of the Atlantic.

Chart 11. Net Cash inflows to Investment Funds in 2008
(EUR billions)

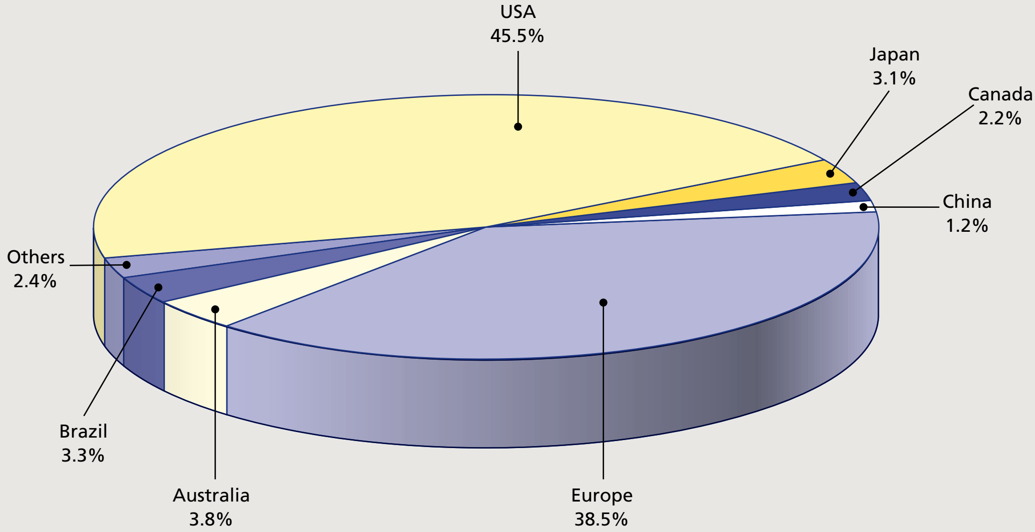


Source: EFAMA, ICI

3 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.

Looking at the worldwide distribution of investment fund assets, the United States and Europe held the largest share in the world market, with 50% and 32% respectively at the end of 2008. Australia, Brazil, Japan, Canada and China followed in this ranking. Taking into account non-UCITS assets, the market share of Europe reached 38.5%, compared to 45.5% for the United States (Chart 12).

Chart 12. Worldwide Investment Fund Assets(1)
(Market share at end of fourth quarter)



(1) Taking into account non-UCITS.

Source: EFAMA, ICI

Efama Membership 2008/09

National Associations

AUSTRIA

VÖIG
Vereinigung Österreichischer Investmentgesellschaften
Austrian Association of Investment Fund Management Companies
President: Mag. Heinz Bednar
Secretary General: Mag. Dietmar Rupar
International Representative: Dr. Armin Kammel, LL.M. (London)
Address: Schubertring 9-11/2/33, A-1010 WIEN
Tel.: +43 1 7188333
Fax: +43 1 7188333 ext. 8
E-mail: voeig@voeig.at
Web site: http://www.voeig.at

BELGIUM

BEAMA
Belgische Vereniging van Asset Managers
Association Belge des Asset Managers
Belgian Asset Managers Association
Chairman: Erwin Schoeters
Vice-Chairmen: Alexandre Deveen, Dirk Van den Broeck
Secretary General: Josette Leenders
Address: c/o Febelfin, Aarlenstraat/rue d'Arlon 82,
B-1040 Bruxelles / Brussel
Tel.: +32 2 5076870
Fax: +32 2 5076979
E-mail: info@beama.be
Web site: http://www.beama.be

CZECH REPUBLIC

AKAT ČR
Asociace pro kapitálový trh České republiky
Czech Capital Market Association
Chairman: Josef Benes
Vice-Chairman: Jan D. Kabelka
Executive Director: Martin Hanzlík
Address: Štěpánská 16/612, CZ-110 00 PRAHA 1
Tel.: +420 2 24919114
Fax: +420 2 24919115
E-mail: info@akatcr.cz
Web site: http://www.akatcr.cz

DENMARK

IFR
InvesteringsForeningsRådet
The Federation of Danish Investment Associations
President: Hans Jørgen Larsen
Managing Director: Jens Jørgen Holm Møller
International Representative: Jens Jørgen Holm Møller
Address: Amaliegade 31, DK-1256 KØBENHAVN K
Tel.: +45 33 322981
E-mail: info@ifr.dk
Web site: http://www.ifr.dk

THE FEDERATION OF DANISH INVESTMENT ASSOCIATIONS

FINLAND

Suomen Sijoitusrahastoyhdistys ry
Finnish Association of Mutual Funds
President: Jari Kivihuhta
Managing Director: Markku Savikko
Address: Bulevardi, 28, FI-00120 HELSINKI
Tel.: +358 20 793 4229
Fax: +358 20 793 4202
E-mail: markku.savikko@fkl.fi
Web site: http://www.sijoitusrahastot.fi

THE FINNISH ASSOCIATION OF MUTUAL FUNDS

FRANCE

AFG
Association Française de la Gestion financière
French Asset Management Association
Chairman: Paul-Henri de La Porte du Theil
Vice-Chairpersons : Francis Ailhaud, Muriel Faure
Director General: Pierre Bollon
Director of International Affairs: Stéphane Janin
Deputy Head of International Affairs Division: Carine Delfrayssi
Address: 31, rue de Miromesnil, F-75008 PARIS
Tel.: +33 1 44949400
Fax: +33 1 42651631
E-mail: s.janin@afg.asso.fr / c.delfrayssi@afg.asso.fr
Web site: http://www.afg.asso.fr

afg association française de la gestion financière

GERMANY

BVI

BVI Bundesverband Investment und Asset Management e.V.

German Association of Investment and Asset Management Companies

Chairman: Dr. Wolfgang Mansfeld

Director General: Stefan Seip

Managing Directors: Rudolf Siebel, Rüdiger H. Päsler

Visitors Address: Eschenheimer Anlage 28, D-60318 FRANKFURT

Mail: P.O. Box 10 04 37, D-60004 FRANKFURT

Tel.: +49 69 154090-0

Fax: +49 69 5971406

E-mail: info@bvi.de

Web site: http://www.bvi.de

GREECE

A.G.I.I.

ΕΝΩΣΗ ΘΕΣΜΙΚΩΝ ΕΠΕΝΔΥΤΩΝ

Association of Greek Institutional Investors

President: Aris Xenofos

General Manager: Marina Vassilicos

Address: 15, Homirou Street, GR-10672 ATHENS

Tel.: +30 210 3392730 - 3392740

Fax: +30 210 3616968

E-mail: info@agii.gr

Web site: http://www.agii.gr

HUNGARY

BAMOSZ

Befektetési Alapkezelők és Vagyonkezelők Magyarországi Szövetsége

Association of Hungarian Investment Fund and Asset Management Companies

President: Sándor Szalai

Secretary General: András Temmel

Visitors Address: H-1055 BUDAPEST Honvéd tér 10. III/2

Mail: H-1363 BUDAPEST Pf. 110

Tel.: +36 1 3740756

Fax: +36 1 3541737

E-mail: info@bamosz.hu

Web site: http://www.bamosz.hu

IRELAND

IFIA

Irish Funds Industry Association

Chairman: Michael Jackson

Chief Executive: Gary Palmer

Address: 1 Gandon House, Mayor Street, IFSC, IRL-DUBLIN 1

Tel.: +353 1 6701077

Fax: +353 1 6701092

E-mail: info@irishfunds.ie

Web site: http://www.irishfunds.ie

ITALY

ASSOGESTIONI

Associazione Italiana del Risparmio Gestito

Italian Association of Investment Management

President: Marcello Messori

Director General: Fabio Galli

Director of International Relations: Manuela Mazzoleni

Head Office:

Address: Via Andegari 18, I-20121 MILANO

Tel.: +39 02 361651.1

Fax: +39 02 361651.63

Rome Office:

Address: Via in Lucina 17, I-00186 ROMA

Tel.: +39 06 6840591

Fax: +39 06 6893262

E-mail: info@assogestioni.it

Web site: http://www.assogestioni.it

LIECHTENSTEIN

LAFV

Liechtensteinischer Anlagefondsverband

Liechtenstein Investment Fund Association

President: Matthias Voigt

Visitors Address: Fürst-Franz-Josef-Strasse, 13, FL-9490 VADUZ

Mail: Postfach 1507

Tel.: +423 7910791

Fax: +423 2350778

E-mail: info@lafv.li

Web site: http://www.lafv.li

LUXEMBOURG

ALFI

Association Luxembourgeoise des Fonds d'Investissement

Association of the Luxembourg Fund Industry

President: Claude Kremer

Director General: Camille Thommes

Deputy Director General: Charles Muller

Visitors Address: 59, boulevard Royal, L-2449 LUXEMBOURG

Mail: BP 206, L-2012 LUXEMBOURG

Tel.: +352 223026-1

Fax: +352 223093

E-mail: info@alfi.lu

Web site: http://www.alfi.lu

NETHERLANDS

DUFAS

Dutch Fund and Asset Management Association

Chairman: Jan Lodewijk Roebroek

Vice Chairman: Erik van Houwelingen

General Director: Hans H.M. Janssen Daalen

Address: Bordewijklaan 8, NL-2591XR DEN HAAG

Tel.: +31 70 3338779

Fax: +31 70 3338858

E-mail: hjd@dufas.nl

Web site: http://www.dutchfundassociation.com

NORWAY

VFF

Verdipapirfondenes Forening

Norwegian Mutual Fund Association

Chairman: Harald Espedal

Managing Director: Lasse Ruud

Visitors Address: Hansteensgate 2, N-0253 OSLO

Mail: PO Box 2524 Solli, N-0202 OSLO

Tel.: +47 23 284550

Fax: +47 23 284559

E-mail: vff@vff.no / efama@vff.no

Web site: http://www.vff.no

POLAND

IZFiA

Izba Zarzadzajacych Funduszami i Aktywami

Chamber of Fund and Asset Management

President: Marcin Dyl

Address: Ul. Nowy Świat 6/12 , PL-00-400 WARSZAWA

Tel.: +48 22 5838600

Fax: +48 22 5838601

E-mail: poczta@izfa.pl

Web site: http://www.izfa.pl

PORTUGAL

APFIPP

Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios

Portuguese Association of Investment Funds, Pension Funds and Asset Management

Chairman: Fernando Coelho

Secretary General: Marta Maldonado Passanha

Address: Rua Castilho, N° 44 - 2°, PT - 1250-071 LISBOA

Tel.: +351 21 7994840

Fax: +351 21 7994842

E-mail: info@apfipp.pt

Web site: http://www.apfipp.pt

SLOVAKIA

SASS

Slovenská asociácia správcovských spoločností

Slovak Association of Asset Management Companies

Chairman of the Board: Roman Vlček

Managing Director: Ivan Znášik

Address: Drienova 3, SK-821 01 BRATISLAVA

Tel.: +421 2 44456591

Fax: +421 2 44632542

E-mail: sass@sass-sk.sk

Web site: http://www.sass-sk.sk

SLOVENIA

ZDU-GIZ

Slovenian Investment Fund Association

Chairman: Stanislav Valant
Managing Director: Karmen Rejc
Visitors Address: Čufarjeva 5, SI-1000 LJUBLJANA
Tel.: +386 1 4304918
Fax: + 386 1 4304919
E-mail: zdugiz@zdu-giz.si
Web site: http://www.zdu-giz.si

SPAIN

INVERCO

Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones

Spanish Association of Investment and Pension Funds

President: Mariano Rabadan
Director General: Angel Martínez-Aldama
Vice-Secretary General: José Manuel Pomarón
Address: Príncipe de Vergara, 43 –2, E-28001 MADRID
Tel.: +34 91 4314735
Fax: +34 91 5781469
E-mail: inverco@inverco.es / mmacias@inverco.es
Web site: http://www.inverco.es

SWEDEN

FBF-SIFA

Fondbolagens Förening

The Swedish Investment Fund Association

President: Erik Feldt
Managing Director: Pia Nilsson
International Representative: Eva Broms
Address: Stureplan 6, 4 tr, S-114 35 STOCKHOLM
Tel.: +46 8 50698800
Fax: +46 8 6625339
E-mail: info@fondbolagen.se
Web site: http://www.fondbolagen.se

SWITZERLAND

SFA

Swiss Funds Association SFA

Chairman: Martin Thommen
Director General: Dr. Matthäus Den Otter
Address: Dufourstrasse 49, Postfach, CH-4002 BASEL
Tel.: +41 61 2789800
Fax: +41 61 2789808
E-mail: office@sfa.ch
Web site: http://www.sfa.ch

TURKEY

TKYD

Türkiye Kurumsal Yatirimci Yöneticileri Derneği

Turkish Institutional Investment Managers' Association

Chairman: Gür Çağdaş
General Secretary: M. Tayfun Oral
Address: İş Kuleleri Kule 2, Kat:8, 4.Levent, TR-ISTANBUL 34330
Tel.: +90 212 2790399
Fax: +90 212 2790744
E-mail: info@tkyd.org.tr
Web site: http://www.tkyd.org.tr

UNITED KINGDOM

IMA

Investment Management Association

Chairman: Robert Jenkins
Chief Executive: Richard Saunders
Address: 65 Kingsway, GB-LONDON WC2B 6TD
Tel.: +44 20 78310898
Fax: +44 20 78319975
E-mail: ima@investmentuk.org
Web site: http://www.investmentuk.org

Observers

BULGARIA

BAAMC

Bulgarian Association of Asset Management Companies

Chairman: Stoian Toshev

Chief Secretary: Evgeny Jichev

Chairman of the International Relations Committee: Daniel Ganev

Address: 7 Sveta Sofia Street, 6th floor, 1000 SOFIA, Bulgaria

Tel.: +359 2 9863466, +359 2 935 06 27

Fax: +359 2 935 06 17

E-mail: office@baud.bg

Web site: www.baud.bg

ROMANIA

AAF

Romanian Association of Asset Managers

Chairman: Petre Pavel Szel

Managing Director: Adrian Tudose

Address: 16 Splaiul Unirii blvd cam 403, RO-BUCHAREST Sect 4, code 040035

Tel.: +40 21 3129743

Fax: +40 21 3139744

E-mail: office@aaf.ro

Web site: www.aaf.ro

Corporate Members

Allianz Global Investors AG
www.allianzglobalinvestors.com

ANIMA SGRpA
www.fondianima.it

Aviva Investors
www.avivainvestors.com

AXA Investment Managers
www.axa-im.com

Barclays Global Investors Ltd.
www.barclaysglobal.com

BBVA Gestion S.A. S.G.I.I.C.
www.grupobbva.com

BlackRock Investment Management (UK) Limited
www.blackrock.co.uk

BNP PARIBAS Investment Partners
www.bnpparibas-ip.com

Capital International
www.capitalinternationalfunds.com

Carmignac Gestion
www.carmignac-gestion.com

Commerz Real AG
www.commerzreal.com

Crédit Agricole Asset Management
www.ca-assetmanagement.fr

Credit Suisse
Asset Management
www.credit-suisse.com

DekaBank Deutsche Girozentrale
www.dekabank.de

Dexia Asset Management
www.dexia-am.com

DWS Investment GmbH
www.dws.de

Eurizon Capital SGR S.p.A.
www.eurizoncapital.com

Franklin Templeton Investments
www.franklintempleton.lu

Goldman Sachs Asset Management International
www.gs.com

HSBC Investments
www.hsbcinvestments.com

ING Investment Management
www.ingim.com

INVERSEGUROS Gestión S.A., S.G.I.I.C.
www.inverseguros.es

Invesco
www.invesco.com

IS Asset Management
www.isasset.com

J.P. Morgan Asset Management
www.jpmorgan.com

Julius Bär Asset Management
www.juliusbaer.com

KBC Asset Management N.V.
www.kbcam.be
www.kbcassetmanagement.com (from 1/10/08)

Lombard Odier Darier Hentsch & Cie
www.lodh.com

Lyxor Asset Management
www.lyxor.com

M&G Investments
www.mandg-investments.com

Natixis Asset Management
www.am.natixis.fr

Nordea Investment Funds
www.nordea.com

Pictet Asset Management SA
www.pictet.com

Pioneer Global Asset Management S.p.A.
www.pioneerinvestments.com

PRIMA sgr SpA
www.primasgr.it

Raiffeisen Capital Management
www.rcm.at

Robeco
www.robeco.com

Santander Asset Management
www.santanderga.es

Schroders
www.schroders.com

SKAGEN Funds / Skagen AS
www.skagenfunds.com

Société Générale Asset Management
www.sgam.com

The Bank of New York Mellon
www.bnymellon.com

Threadneedle Asset Management Limited
www.threadneedle.com

Union Asset Management Holding AG
www.union-investment.de

Efama's Secretariat

Graziella Marras,
Senior Policy Advisor

Larissa Fiedler,
Regulatory Policy Advisor

Annette von Osten,
Regulatory Policy Advisor

Bernard Delbecque, Director
for Economics and Research

Francesco Natalini Raponi,
Economist

Miriam Brunson, Administration
and Communications Officer

Isabelle Van Acker,
Executive Secretary

Kevin Carlot,
Junior Office Assistant

Peter De Proft,
Director General

Steffen Matthias,
Senior Advisor

The Team

EFAMA
European Fund and Asset Management Association
Address: 18 Square de Meeûs, B-1050 Brussels
T. +32 2 513 39 69 - F. +32 2 513 26 43
E. info@efama.org - www.efama.org