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28 August 2006

Response from the City of London to the Asset Management Expert Group reports

The United Kingdom is an important centre for the European and Global asset management sector. We would therefore like to congratulate the Commission for setting up the Expert Groups on Investment Fund Market Efficiency and Alternative Investment Funds. Asset management is an increasingly important sector for the EU economy not least because of Europe's ageing populations. We are very supportive of the Commission's practice of using groups of industry specialists to gather the views of market practitioners and to stimulate the debate at the early stages of policy formulation.

We are grateful for the opportunity to respond to the Expert Group reports and would like to indicate our broad support for much of what the experts have concluded. We also concur with the view of Wolf Klinz MEP at the recent hearing in Brussels on 19 July when he highlighted the need to move forward quickly in key areas. In some areas, e.g. notification, simplified prospectus and eligible assets, work has already begun but it now needs to be expedited by the EU institutions. In other areas – e.g. a proper management company passport, pooling and facilitation of cross-border mergers – activity is now required by the EU institutions in order to provide a framework for achieving the savings and economies of scale sought by the industry. Within a third area, notably fund processing, the industry is taking a lead.

The Expert Group report on Investment Fund Market Efficiency draws on the research report "Towards a Single European Market in Asset Management" which the City of London Corporation funded jointly with the Investment Management Association in 2003. The Expert Group report recommends a series of clear, detailed and workable proposals aimed at removing many of the barriers to a single market which were outlined in the 2003 report. We encourage the Commission to press ahead with this package of important, but limited, measures without delay and bring forward the necessary amending legislation. These measures should be implemented in Member States within three years. Our favoured

approach is for your services to focus on the key priorities outlined in the Expert Report and make them Lamfalussy compliant rather than launching a complete overhaul of the directive; a lengthy revision of the UCITS directive would needlessly risk damaging the competitiveness and efficiency of the industry in the EU.

We note that there is very strong consensus within the industry as to what needs to be done, and would urge the Commission to put forward a package of proposals which is an integrated whole. As regards the proposals to achieve greater economies of scale, in particular, it is important to recognise that the prioritisation of a particular issue would potentially favour a particular business model (e.g. facilitation of cross-border mergers would favour firms which wish to consolidate activities into one centre while facilitating the management company passport favours those who wish to maintain a range of different fund centres).

We also welcome the Expert Group report on Alternative Investment Funds. Any regulatory proposal in this area should be efficient, cost-effective and compatible with the global and dynamic nature of the industry, taking account of the different needs of institutional and retail investors. We fully support the aim of liberalising the market in relation to institutional business but accept that where funds are offered in the retail market greater regulatory intervention to protect the consumer must be expected. Any EU level initiative in this area must clearly be subject to an overall cost benefit analysis leading to the conclusion that the benefits of regulation point to a legislative rather than a market-based solution. If a legislative route were to be chosen we would then look forward to a detailed regulatory impact assessment designed to ensure that the implementation costs to business do not undermine international competitiveness.

We would look forward to continuing our dialogue with you on all aspects of EU financial services policy.

Sir Nigel Wicks
Chairman, EU Advisory Group

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