

## **Common Position of the Governments of the United Kingdom, France and Germany on the Green Paper “The Enhancement of the EU Framework for Investment Funds”**

The European fund industry is a key sector in financial services because it plays a meaningful role for private retirement provision which will become ever more important in European countries in the future. Essentially, in the view of the governments of the United Kingdom, France and Germany, the aim of all future regulatory efforts should be to offer European investors a better choice of funds and better investment returns at lower costs. There have already been notable successes in the integration of the European fund market. In spite of these successes achieved under the UCITS Directive, the European fund market still faces a number of challenges.

With the Green Paper the European Commission has initiated a discussion about the future EU framework for investment funds. The governments of the United Kingdom, France and Germany thank the Commission for its excellent analysis of the current situation in the European fund industry and for identifying critical issues for the future form of the UCITS Directive. As the discussion about a White Paper is beginning to take shape we would like to take up the Commission’s ideas and make an active contribution to creating the future framework of the European fund industry.

The governments of the United Kingdom, France and Germany share the Commission’s view that many important improvements can be achieved under the existing legislative framework and that the overriding goal must be to protect the progress towards a single market which has already been achieved. However, subject to meeting this overriding goal, we have also identified six priority areas in which we believe the existing framework could be improved:

- **Streamlining and Facilitating Notification Procedures**  
The United Kingdom, France and Germany agree that the notification procedures have to be streamlined. We are convinced that initially all steps to reach this goal should be taken inside the existing legislative framework. However, if legislative changes are necessary to come to a good solution this way should be considered.
- **Modifying the Simplified Prospectus**  
The United Kingdom, France and Germany agree that the simplified prospectus has not met the expectations of the industry and the investor. Therefore, we agree that it should be simplified and better oriented at the needs and capacities of the average investor. We are convinced that the prospectus should be shorter and more consistently implemented. The United Kingdom, France and Germany think that this work has to be done urgently led by the Commission on the basis of the work carried out through its workshops, and on the basis of consumer testing. If this work shows that legislative changes are necessary to come to a good solution, this way should also be considered.
- **Making the Management Company Passport Work Properly**  
A working management company passport could be an effective tool to improve the efficiency of the European fund industry. Therefore, the United

Kingdom, France and Germany suggest that the Commission initiates the necessary steps to make the passport work properly. We suggest that based on the results of the expert group the Commission makes suitable propositions to make this concept work. While we accept that work will be required to address the issue of split supervision, we do not believe that it is enough of a barrier to prevent progress in this area. There are indeed other financial services areas where such mechanisms work properly. To achieve split supervision, we think it would first be necessary to ensure consistent implementation of the rules applicable to management companies.

- **Harmonizing the Private Placement Regime**

The United Kingdom, France and Germany agree that different understandings between different member states of what private placement means are a potential impediment to cross border distribution. Therefore, we see considerable added value in exploring ways towards a harmonized European approach with the aim eventually of extending the cross-border freedoms already afforded in the retail sector to non-retail funds.

- **Harmonizing Open-Ended Real Estate Funds**

The United Kingdom, France and Germany agree that open ended real estate funds are a typical retail product that is missing in the current legislative framework. In addition open ended real estate funds have a growing importance for private retirement provision. We are convinced that creating a harmonized European framework for real estate investment in the near future would prevent a possible regulatory fragmentation of the European market. We think that setting up an expert group on real estate investment would be a suitable first step to lay out the framework for a legislative draft.

- **Finding Solutions to Facilitate Pooling**

As there are still important barriers to fund mergers facilitating pooling could be a solution for achieving higher efficiency on the European fund market. Therefore, the United Kingdom, France and Germany propose that based on the results of the expert group the Commission explores possible ways to facilitate the implementation of these structures in Europe.

The governments of the United Kingdom, France and Germany would be happy to further discuss these priorities in detail with the Commission and to elaborate on the common position during a joint meeting.