The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

Action Plan to reduce operational and cross-border barriers for asset managers

In order to foster more integrated and efficient capital markets and unlock the full benefits of the Savings and Investments Union (SIU), removing regulatory, supervisory, and operational barriers impacting the asset management sector is critical. Achieving the SIU requires bold steps to simplify regulation, harmonise national approaches, and build thriving EU capital markets that are globally integrated.

The Investment Company Institute's (ICI)[1] mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Our members have significant experience and expertise in serving more than 100 million retail investors in jurisdictions around the world, including in the EU. These investors rely on regulated funds, like UCITS,[2] to achieve important financial goals, including saving for retirement and education. By supporting the financial health and wellbeing of individual EU investors, the asset management industry also contributes to broader economic growth by investing client assets in capital markets, providing a critical source of long-term stable funding for companies and projects.

The efficient flow of capital across the EU is necessary for realising the Commission's vision of a unified single market. Central to this objective is the cross-border provision of asset management services and investment products such as UCITS. However, the asset management industry faces significant challenges due to burdensome and uncoordinated regulation, as well as the increasing practice of gold-plating where individual Member States impose additional requirements beyond the agreed EU legislation. This practice not only increases compliance costs but also leads to market fragmentation that creates barriers and bottlenecks in the EU market. Consequently, these barriers hinder the scaling up of investment funds, limit retail investor participation in the capital markets, and undermine UCITS Directive's objective of creating a single market for investment funds.

To address these issues, the Commission has proposed: (i) setting up a dedicated channel for reporting on single market barriers; (ii) the removal of gold-plating and reducing national options and discretion; and (iii) removing the remaining EU-level and national barriers for asset

[1] The Investment Company Institute (ICI) is the leading association representing the global asset management industry in service of individual investors. ICI members are located in Europe, North America and Asia and manage fund assets of €41.7 trillion, including UCITS, mutual funds, exchange-traded funds (ETFs), closed-end funds, unit investment trusts (UITs) and similar funds in these different jurisdictions. ICI has offices in Brussels, London, and Washington, DC.

[2] Undertakings for Collective Investment in Transferable Securities Directive (Directive 2009/65/EC, "UCITS Directive").

managers. ICI strongly welcomes these proposals. They offer a valuable opportunity to harmonise existing rules, remove duplication, and reduce compliance costs while maintaining robust investor protection across the EU.

Identifying concrete actions to reduce market fragmentation in the asset management sector requires a careful and nuanced approach. Asset managers operate under a range of regulatory frameworks and face differing legal, commercial, and operational conditions that shape how they organise their businesses. No two firms are alike. Some operate solely within a single Member State, while others manage complex cross-border operations across the EU. A firm's ownership structure, regulatory status, investor base, and product offerings all influence how it engages with the Single Market. These structural business decisions are further shaped by labour rules, tax considerations, and national supervisory practices. This complexity highlights that reducing market fragmentation cannot be achieved through one-size-fits-all solutions, but require targeted, practical actions that reflect the diversity of the asset management industry Annex A provides a description of the regulatory frameworks to which asset managers may be subject based on their specific business lines and some of the organisational structures asset managers may use to achieve their goals.

Any effort to promote deeper capital market integration must also respect Member State competencies and legal authority over certain market activities, particularly those designed to protect individual investors. These responsibilities are rooted in national legal systems and cannot simply be waived or transferred.

While transferring core functions, such as licensing and authorisations, from national competent authorities (NCAs) to an EU-level supervisor may appear to offer a streamlined solution, in practice, it would neither address the underlying causes of fragmentation nor improve supervisory outcomes.

Removing these responsibilities from NCAs would eliminate the close connection between national supervisors and the firms and markets they oversee. These relationships are essential to effective regulation in an industry defined by diversity and decentralisation. Asset managers operate under activity-based frameworks, and their structures are shaped by national laws on taxation, labour, investor protection, and regulatory substance, all of which vary significantly across Member States.

Experience in other sectors, such as banking under the Single Supervisory Mechanism, has shown that centralisation alone does not deliver market integration. In asset management, central oversight would be even less effective, as it would fail to reflect the way firms operate and make decisions within national legal and commercial environments. Transferring supervision to the EU level would not eliminate the national rules that drive how managers structure and distribute their products across borders.

Most importantly, centralisation would not resolve the core drivers of market fragmentation. These lie not in *who* supervises, but in *how* supervision is conducted. Inconsistent implementation of EU legislation, national gold-plating, and diverging supervisory

interpretations continue to hinder the efficient functioning of the Single Market. Even under a centralised regime, Member States would retain the discretion to introduce additional requirements, perpetuating differences in market treatment.

A more effective and proportionate path forward is to enhance cooperation among NCAs, with ESMA serving as a structured facilitator. Promoting greater convergence in supervisory practices—through shared guidance, common data standards, peer reviews, and coordinated oversight—can improve consistency and legal certainty across the Single Market without the disruption of overhauling the existing framework. ICI discusses this approach in greater detail in the Action Plan.

In light of the regulatory and structural complexity of the asset management sector, the importance of preserving key Member State competencies, and the Commission's broader integration goals, ICI proposes the following Action Plan. If adopted, this plan would help eliminate cross-border frictions and regulatory barriers, strengthen the EU asset management industry's global competitiveness, and enable investment funds to scale more effectively for the benefit of European investors and the broader economy.

Action Plan to reduce operational and cross-border barriers for asset managers

- **Streamline reporting obligations and reduce regulatory burden:** Simplify the asset management regulatory regime through targeted changes to UCITS, MiFID, and PRIIPs, creating immediate positive impact.
- **Recalibrate regulation to promote growth alongside investor protection:** Financial services legislation should support economic growth as well as investor protection. All rules should undergo comprehensive impact assessments (reflecting the final text) for their cumulative effects.
- **Annually assess national gold-plating practices:** Identify where additional national requirements have been layered onto EU rules and evaluate whether such practices hinder the functioning of the internal market.
- **Develop framework for evaluating EU-wide impact of national divergences:** Provide an empirical basis for assessing whether bespoke implementation approaches improve investor protection or create unnecessary frictions.
- **Establish structured NCA coordination mechanism:** Serving as a cornerstone for achieving greater consistency in the supervision of asset managers across the EU, advancing meaningful progress toward a more harmonised and efficient Single Market.

- **Foster global market integration to boost European competitiveness:** Enhance Europe's economic resilience, improve capital allocation, and deliver better outcomes for investors.
- **Build a European culture of investing:** Simple and accessible savings and investment accounts will empower retail investors to participate in the capital markets.

Before elaborating on the details of this Action Plan, it is important to underscore a central point: **ICI members do not believe that centralising supervisory authority in the asset management sector would meaningfully reduce market fragmentation under the EU's current legal and regulatory framework**.

Achieving a more integrated and competitive EU asset management industry is both necessary and within reach. ICI's Action Plan reflects this objective by offering a pragmatic, scalable approach grounded in the realities of the industry, the competencies of Member States, and the structure of the EU's regulatory framework. By addressing key operational barriers and facilitating more efficient cross-border activity, the Action Plan can help strengthen the EU's global competitiveness and deliver lasting benefits to European investors and the broader economy.

I. An effective European regulatory regime fosters growth, innovation and competitiveness

A. Streamline reporting obligations and reduce regulatory burden

ICI recommends simplification of the asset management regulatory regime through targeted legislative changes to the key directives and regulations. This will create an immediate positive impact, compared to open-ended legislative reviews that could take years to accomplish. Addressing regulatory misalignment will reduce the compliance burden and make the EU a more competitive and integrated market.

The interplay between different EU regulatory frameworks creates substantial complexity for asset managers operating across the EU, particularly for firms that are subject to MiFID, UCITS, PRIIPs, and AIFMD. These frameworks often impose overlapping but non-identical requirements on critical aspects of product governance, oversight, distribution, and investor disclosures. While the intention behind each framework may be consistent, the lack of alignment, both in terms of substance and timing, results in a regulatory environment that is fragmented, duplicative, and inefficient.

The burden is particularly acute when firms attempt to apply a group-wide or EU-wide compliance framework but find themselves forced to tailor implementation at the Member State level due to national gold-plating or divergent supervisory interpretations of MiFID and UCITS requirements.

The following are examples of areas that would benefit from such targeted revisions:

Product governance rules: **We recommend the development of a streamlined approach to product governance and oversight, whereby compliance with the UCITS or the AIFMD requirements would be presumed to satisfy relevant MiFID obligations, at least in areas with aligned objectives such as product design, target market assessment, and ongoing monitoring.** Product governance rules under MiFID apply to manufacturers and distributors of financial instruments, while UCITS and AIFMD impose their own requirements related to fund design, oversight, and investor protection. Although these regimes aim to serve similar investor protection objectives, their differences require firms to maintain parallel compliance systems, duplicated processes, and multiple documentation templates across products and business lines. This not only increases operational costs, but also creates legal uncertainty and delays in product development and distribution which ultimately limits the ability of asset managers to scale products across the Single Market. Importantly, our proposed simplification effort could be embedded within the ongoing revisions to MiFID, UCITS, PRIIPs and AIFMD under the Retail Investment Strategy, which expressly aims to reduce unnecessary complexity and enhance the investor experience.

Investment fund disclosure requirements: **We recommend a thoughtful streamlining and simplification of the PRIIPs KID in a manner that promotes clear and understandable information for investors, taking into account differences between retail and professional investors, and considering the resulting cumulative disclosures and reporting made to investors across several regulations.** In order to reduce confusion and improve the transparency and comparability of investment products for retail investors, the revised disclosure framework must:

- focus on fostering innovative, investor-friendly disclosure (including electronic delivery as default) and effective digital engagement that utilises intuitive digital tools, such as layered disclosure and educational pop-ups, to increase point of sale engagement and investor understanding;

- include for UCITS the disclosure of past performance because it is a valuable tool for both investors and supervisors to assess the performance and costs of a UCITS and gain a better understanding of the value delivered by a UCITS over time;

- refrain from including additional unnecessary elements that add complexity, such as the proposed “dashboard” and SFDR disclosures;

- refrain from requiring the disclosure of implicit transaction costs, the disclosure of which has proven to be complex, difficult to implement, and prone to misleading results; and

- clarify that that there is no obligation to produce KIDs for AIFs that are not marketing to retail clients because this is disproportionately cumbersome and does not add value to the intended clients.

B. Recalibrate regulation to promote growth alongside investor protection

ICI recommends that the Commission recalibrate its approach to financial regulation by ensuring that both investor protection and the effective functioning of capital markets are taken into account when developing new legislation or reviewing existing rules. A key part of this effort should be the use of comprehensive impact assessments that evaluate how rules will operate in practice and interact with the broader EU regulatory framework.

To avoid unintended consequences and ensure that regulation remains fit for purpose, ICI proposes that such assessments should include:

- A final rule impact assessment that analyses the actual costs—including opportunity costs—and benefits of implementing the rule as adopted, rather than as originally proposed; and

- A cumulative impact assessment to identify potential duplications, inconsistencies, or inefficiencies that may arise when the rule is layered onto existing legislation.

Together, these assessments would help ensure that regulatory frameworks remain proportionate, coherent, and capable of supporting well-functioning capital markets. This approach reflects the need for a balanced regulatory environment that fosters market resilience and innovation while maintaining high standards of investor protection.

Proportionality should be a guiding principle of a rebalanced framework. The current EU regulatory framework for asset management spanning UCITSD, AIFMD, MiFID, SFDR, PRIIPs, and other relevant legislation does not sufficiently account for the diversity in firm size, business models, product offerings, and investor base across the asset management sector. As a result, smaller firms and funds, and those with limited cross-border or systemic relevance, often face undue regulatory burdens that constrain innovation, increase fixed costs, and limit their ability to compete and scale.

The key areas where proportionality is lacking include:

- *Reporting Requirements:* Many EU reporting requirements, including periodic data reporting under the UCITSD and the AIFMD, are imposed uniformly on firms regardless of the firm's size or product range. Compliance with these requirements generates disproportionate operational and legal costs and burdens for smaller managers and new entrants that are not commensurate with the risks they present and the benefits of this reporting to supervisors.

- *Authorisation and Substance Requirements:* Divergences in how NCAs interpret substance and local presence requirements result in disproportionate expectations for small or specialised fund and asset managers. Firms with niche strategies or limited product ranges may be required to establish costly infrastructure or governance

frameworks that impose a disproportionate burden relative to the nature and scale of their activities.

- *Share Class Notification Requirements:* The requirement to submit a notice to NCAs one month ahead of the launch of a new share class causes a disproportionate and unnecessary delay resulting in loss of revenue and an inability to timely meet investors' needs. New share classes should be permitted to launch immediately following the submission of all necessary filings.

- *Product Innovation and Retail Access:* The lack of proportionality disincentivises the launch of smaller or more targeted funds, particularly those aimed at underserved investor segments or ESG strategies requiring bespoke data or operational design. Overly rigid regulatory frameworks can prevent managers from testing innovative strategies or responding dynamically to investor needs.

A more proportionate framework would incorporate (1) tailoring reporting obligations based on size and product range; (2) clarifying and harmonising substance and governance expectations, especially for managers with limited risk profiles or cross-border footprint; (3) simplifying entry points for small or emerging managers, particularly those serving local markets or offering specialised strategies; and (4) conducting cumulative impact assessments across regulatory files that impact asset managers to ensure that the overall burden is reasonable and proportionate.

II. Supervisory harmonisation to foster more integrated and efficient capital markets

ICI recommends a significant enhancement of the collaboration and coordination among NCAs, with ESMA acting as a structured facilitator of convergence rather than a replacement for national supervision, in order to foster more integrated and efficient capital markets. Despite significant progress in regulatory harmonisation, Member States continue to implement EU laws differently, creating diverging regulatory frameworks and supervisory practices across the EU. This is particularly true with respect to how NCAs apply licensing and substance requirements for asset managers. These divergences, while sometimes rooted in legitimate national contexts, may also reflect protectionist tendencies that discourage cross-border activity, increase compliance burdens, and reduce choice for businesses and investors. Such inconsistencies ultimately undermine confidence among market participants and erode trust and alignment across supervisory authorities.

Fostering a globally competitive EU asset management sector will require Member States to cultivate a culture of regulatory cooperation and constructive competition. Instead of relying on gold-plating measures that entrench the status quo and create barriers to entry, Member States could consider more constructive approaches, such as targeted fiscal incentives, to attract asset management activity. Such measures would not only enhance national competitiveness

but also contribute to the broader objectives of market integration and sustainable growth across the EU.[3]

Importantly, creating a more attractive and competitive environment for asset management across the EU does not require a shift toward centralized supervision. A well-integrated Single Market can be achieved through regulatory convergence and stronger cooperation among NCAs, rather than structural consolidation. Creating a single EU-level supervisor for certain asset managers or certain asset management activities is neither feasible nor desirable, as it would not meaningfully contribute to the goals of simplification or burden reduction. Given the institutional and legal structure of the EU, as well as the diversity of national market models and supervisory cultures, mandating a centralised supervisory authority would likely introduce new complexity, disrupt existing processes, and generate transitional uncertainty—without improving supervisory outcomes.

The Commission's focus on addressing fragmentation is an opportunity to refine existing tools and to identify practical mechanisms to better align supervisory approaches across Member States. Enhancing collaboration among NCAs, with ESMA acting as a structured facilitator of convergence would preserve national accountability while supporting more coherent and efficient oversight across the EU.

In particular, we recommend the following targeted improvements:

- **Annual assessments of national gold-plating practices, coordinated by ESMA and submitted to the Commission**. These assessments would identify where additional national requirements have been layered onto EU rules and evaluate whether such practices enhance or hinder the functioning of the internal market.

- **The development of a framework for evaluating the EU-wide impact of national divergences, with input from NCAs, ESMA, and market participants**. This would provide a more empirical basis for assessing whether bespoke implementation approaches improve investor protection or create unnecessary friction in cross-border activity.

- **Establishing a structured NCA coordination mechanism facilitated by ESMA, such as a coordination council, supervisory college, or other NCA-peer exchange platform, that could serve as a cornerstone for achieving greater consistency in the supervision of asset managers across the EU.** The primary objective of this mechanism would be to reduce supervisory divergence and inconsistency across

[3] We note the successful use of tax incentives to attract ELTIFs in Luxembourg, which exempts ELTIFs from subscription tax and offers general exemptions related to corporate income tax, municipal business tax, and net wealth tax. These tax benefits have resulted in the vast majority of ELTIFs launched in Luxembourg (120, versus 71 launched in all other Member States combined). See ESMA Register of authorised European long-term investment funds (ELTIFs), available at https://www.esma.europa.eu/document/register-authorised-european-long-term-investment-funds-eltifs.

Member States, advancing meaningful progress toward a more harmonised and efficient Single Market.

This platform should promote regular, outcome-oriented dialogue among NCAs to align interpretations, supervisory expectations, and implementation timelines. Particular emphasis should be placed on areas where fragmentation most acutely impacts market functioning, including: definitions and interpretations of key regulatory concepts; authorisation procedures and documentation; and data collection and regulatory reporting. A structured coordination mechanism of this kind would enable a more holistic approach to EU supervision, preserving the benefits of national proximity to market participants while fostering consistent supervisory outcomes. Crucially, this approach would allow for pragmatic harmonisation through cooperation and transparency, rather than requiring the establishment of a central supervisory authority: an approach that may not be politically or operationally viable in 2025.

A. Annual assessments of national gold-plating practices

Annual assessments of national gold-plating practices would help identify where additional national requirements have been layered onto EU rules and evaluate whether these practices hinder the functioning of the internal market.

Gold-plating by Member States imposes additional regulatory hurdles on financial market participants that exceed the regulatory obligations agreed upon by the EU co-legislators. These add-ons often include heightened approval requirements, more extensive disclosure obligations, and burdensome licensing and authorisation processes. In some cases, Member States have introduced independent regulatory measures for investment funds and their management companies, such as higher capital requirements, enhanced due diligence, redundant suitability assessments for key personnel, and additional reporting obligations.

While these gold-plating measures are often premised on enhanced investor protection, they do not always deliver commensurate benefits to investors. Rather, gold-plating introduces significant regulatory fragmentation that undermines the scalability and cost-efficiency of cross-border fund distribution. Fund managers are forced to tailor products and operations to comply with divergent local requirements, increasing administrative burdens and driving up costs for both asset managers and investors. Thus, making it more expensive for EU citizens to participate in the EU capital markets.

ICI research confirms this impact: UCITS funds distributed across multiple Member States tend to be more expensive than those sold in a single Member State due in part to the cumulative effect of national add-ons.[4] Higher costs reduce net returns and disincentivise retail participation, which ultimately undermines the objectives of the SIU.

[4] See ICI Research Perspective, Ongoing Charges for UCITS in the European Union, 2023 (December 2024), available at https://www.ici.org/system/files/2024-12/per30-10.pdf. While cross-border UCITS provide European investors with a larger range of investment options, such funds often incur additional marketing or registration

The asset management industry operates on a global scale, offering European citizens access, via UCITS, to both international and domestic markets. For the full benefits of UCITS – perhaps one of the greatest success stories of the EU single market in financial services – to be fully realised, Member States must eliminate regulatory and supervisory divergence. This means significantly reducing gold-plating and building consensus on regulatory interpretations and supervisory approaches.

B. Framework for evaluating EU-wide impact of national divergences

A framework for evaluating the EU-wide impact of national divergences would provide an empirical basis for assessing whether bespoke implementation approaches improve investor protection or create unnecessary frictions. The framework should operate with input from NCAs, ESMA, and market participants, and provide the market with transparency on these divergences to avoid uncertainties and promote convergence among Member States.

Examples of persistent regulatory and supervisory divergences at the Member State level that operate as practical barriers to entry and scaling up of asset management services and funds include those below.

i. Asset manager authorisation

In some Member States, the NCA requires a firm seeking authorisation (e.g., as a MiFID firm or AIFM) to be able to stand on its own and have full operational independence within that jurisdiction regardless of the nature, scale or complexity, or organisation of the firm. In contrast, other Member States permit the applicant firm to rely on outsourcing to satisfy certain substance and infrastructure requirements, including with respect to human and technical resources, in applying for a license. These may be intragroup (i.e. ManCo) or third-party and often involve operational staff performing key functions for the licensed entity from locations outside the entity itself.

Additionally, there are significant operational barriers stemming from fragmented and outdated online filing platforms utilised by NCAs. These platforms differ widely in functionality, language availability, and processing speed creating inefficiencies and delays in regulatory processes.

Substance and governance requirements also vary considerably across Member States. These include differences in expectations regarding the number, seniority, and qualifications of local full-time employees, as well as board composition and time commitments. Some NCAs apply de facto thresholds or local presence expectations that are not grounded in legislation or clear risk-based rationale. As a result, the financial and human resources that firms must allocate to establish and grow their EU asset management operations remain highly unpredictable.

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costs. In 2023, the average ongoing charge for cross-border equity funds was 1.33 percent compared with 1.21 percent for single country equity funds.

ii. UCITS authorisation requirements

Similar to the authorisation process for asset managers, the experiences of obtaining UCITS authorisation and distribution rights varies significantly across Member States despite being governed by the same EU regulatory regime. These variations create a range of operational frictions and challenges for asset management firms entering the UCITS market, as well as those seeking authorisation in multiple jurisdictions. Examples include:

- divergent jurisdictional platforms and processes for UCITS registration;
- varying fee structures, payment methods and processes; and
- differences in how procedural and documentation requirements are interpreted and applied, including expectations around document completeness, language requirements, and authorisation sequencing.

Collectively, these divergent practices in the UCITS authorisation process undermine the goal of a unified, competitive EU fund market as they: (1) create unnecessary regulatory friction and cost for firms operating cross-border; (2) delay product availability for EU investors, especially where localisation requirements slow fund launches; (3) complicate post-merger operational integration for firms that offer UCITS across multiple domiciles; and (4) erode the practical value of the UCITS passport, which was intended to ensure mutual recognition and simplified market access.

iii. Duplicative or non-standard data reporting formats

NCAs currently use different data collection templates and processes, resulting in inconsistencies in the type, scope, and calculation methodologies of data requested from asset management firms. This fragmentation increases operational burden, reduces data comparability, and complicates cross-border supervision. As highlighted by ESMA in its Discussion Paper on Integrated Reporting, the lack of standardisation undermines the efficiency and utility of regulatory reporting. To address this, NCAs should converge on harmonised regulatory reporting templates designed around a shared data dictionary and common technical standards to ensure consistency, reduce duplication, and facilitate effective data sharing across jurisdictions.

Similarly, national central banks (NCBs) apply varying methodologies for statistical reporting on investment funds and money market funds (MMFs), which creates further challenges for asset managers operating across Member States. ESMA notes that these divergences impede the development of streamlined, jurisdiction-agnostic reporting systems and contribute to a cumulative reporting burden. Greater alignment between the statistical and supervisory reporting frameworks—through an integrated system with common validation rules, submission formats, and reference data—would allow investment firms to implement more efficient and scalable reporting infrastructures. Ultimately, harmonisation across NCAs, NCBs, and ESMA would support supervisory convergence, enhance data quality, and lower compliance costs for market participants.

iv. UCITS marketing

The UCITS Directive establishes a marketing passport in principle; however, the framework lacks the simplicity and proportionality required for effective implementation. Asset managers offering UCITS across multiple jurisdictions face complex, resource-intensive processes that undermine the efficiency of the Single Market and discourage broader fund distribution. A range of divergent national requirements has created substantial barriers to cross-border distribution including the following:

- **Disparate marketing permissions**, with some Member States permitting only locally licensed entities to market UCITS, while other Member States impose different restrictions.

- **Country-specific rules** on marketing content and shareholder disclosures, that are often uncoordinated, opaque, and unrelated to investor protection concerns.

- **Inconsistent translation requirements** for KIDs, with some jurisdictions requiring a firm to provide a translated KID as part of the initial notification pack, while others require it post-registration, on the assumption that it is available.

- **Different treatment based on type of investors**, with certain jurisdictions apply different rules to a passported UCITS depending on the target market. In Italy, for example, a UCITS distributed to retail investors is required to appoint a local agent and pay a 2% fee unless the UCITS is sold only to institutional investors.

- **Varying IT systems and administrative requirements**, with certain Member States using non-interoperable systems and metadata rules, file naming structures, and approval tracking differing between platforms.

- **Requirements to appoint a local paying agent and/or local tax agent** despite restrictions on this practice under the Cross-Border Distribution of Funds Regulation, creating an obstacle to the efficient cross-border distribution of UCITS.

- **Preferential tax treatment based on investor residency**, such as Spain's "rule of 500," which imposes punitive tax rules based on UCITS with fewer than 500 Spanish investors.

A fuller understanding of these divergences, and their eventual reduction and/or elimination, would improve supervisory consistency, and enable asset managers to serve investors across the EU more efficiently, all while preserving high standards of investor protection.

C. Structured NCA coordination mechanism

Establishing a structured NCA coordination mechanism facilitated by ESMA, such as a supervisory college, coordination council, or other NCA-peer exchange platform, would serve as a cornerstone for achieving greater consistency in the supervision of asset managers and

investment funds across the EU. The primary objective of this mechanism would be to reduce supervisory divergence and inconsistency across Member States, advancing meaningful progress toward a more harmonised and efficient Single Market.

This platform should promote regular, outcome-oriented dialogue among NCAs to align interpretations, supervisory expectations, and implementation timelines. Particular emphasis should be placed on areas where fragmentation most acutely impacts market functioning, including: definitions and interpretations of key regulatory concepts; authorisation procedures and documentation; and data collection and regulatory reporting. A common and interoperable data set can not only empower more effective supervisory conversations, but also form the basis of developing more effective feedback loops for industry on that data that is being collected.

The council must have a clear mandate on promoting consistent supervisory approaches across Member States in key areas such as the interpretation and application of EU legislation, marketing notification procedures, data standards, and reporting templates. It would serve as a forum for the structured sharing of supervisory data and insights, helping to build a more aligned understanding of market trends and emerging risks. In addition, it would support the exchange of experiences and approaches and provide transparency through annual public reports on supervisory convergence efforts. To ensure that its work remains grounded in market realities, the council would also maintain structured channels for regular engagement with industry participants.

A structured coordination mechanism of this kind would enable a more holistic approach to EU supervision, preserving the benefits of national proximity to market participants while fostering consistent supervisory outcomes. Crucially, it would allow for gradual and pragmatic harmonisation through cooperation and transparency, rather than requiring the establishment of a central supervisory authority: an approach that may not be politically or operationally viable.

III. Global market integration to boost European competitiveness

Vibrant capital markets efficiently allocate investment to businesses, driving economic growth while historically delivering higher long-term rates of return than bank deposit accounts. By providing individuals with greater opportunities to grow their savings and build wealth over time, they serve as a powerful driver of household financial security and well-being.

A well-functioning SIU would broaden access to long-term investing opportunities for individuals across Europe, reinforcing the region’s economic resilience and global competitiveness. To achieve this objective, it is critical that the SIU facilitate investment in global markets and attract international market participants, including asset managers, to provide a diverse range of services and products within the single market.

UCITS already provide European investors with access to both international and domestic markets, enabling them to diversify their portfolios, capitalise on a wide range of investment opportunities, and achieve stronger returns. At the same time, the EU needs both domestic and

international asset managers to finance business expansion, innovation, and large-scale, capital-intensive domestic projects such as infrastructure development.

Data confirms that global asset managers are already a large source of capital for European companies, and a driver of job creation for European citizens. Notably, US-based asset managers have played an active role in offering Europeans local investment choices. **US-based sponsors of UCITS held €640 billion in European equities and bonds (ex-UK) at the end of last year, representing more than one-fifth of all UCITS assets invested in Europe.**

To ensure the EU's leadership in the global economy, the SIU must promote an open and competitive market. This will strengthen capital flows, drive economic growth, and create a dynamic and resilient single market that supports both businesses and investors.

IV. Build a European culture of investing to empower financial well-being

At this critical stage in the development of the SIU, policymakers must join together in empowering retail investors, fostering financial literacy, and creating a resilient, risk-tolerant investment culture. This is not only foundational to build public trust but also for ensuring the long-term success of the SIU and the broader European capital markets ecosystem.

A central policy goal of the SIU should be to cultivate an investment culture that encourages European citizens to become more comfortable with investing in the capital markets—an essential shift for wealth creation. Building this trust depends on avoiding any doubt that the financial empowerment of European households is a first-order priority. While the greater depth and liquidity that enhanced retail participation will bring to EU capital markets will inevitably benefit companies seeking to scale, in turn driving strategic priorities across defense, climate, and digital transition, it must be made clear that citizens' wealth is not sought for this purpose. Investors must be able to trust that the SIU is designed to help them as individuals, not subsidise the cost of capital for domestic companies or state spending needs.

Building a foundation of trust demands a substantial investment in financial literacy. Only by educating citizens about the opportunities and risks of capital markets can the EU nurture a generation of investors who are confident, informed, and comfortable with investing. This literacy is essential to building an investment mindset that complements statutory pensions and savings accounts, positioning capital markets as a key pillar of personal financial well-being.

As this culture of investing takes root, the benefits will extend beyond individual households. Citizens with greater wealth resulting from long-term investments will drive economic growth through increased consumption, reduce reliance on social safety nets, and contribute to fiscal stability. Moreover, a broader base of private investors will strengthen the EU's capital markets, enhancing competitiveness and increasing the availability of private finance to support European enterprises.

ICI strongly supports the Commission's initiative to recommend coordinated efforts by Member States to create savings and investment accounts that will empower retail investors to

participate in the capital markets.[5] From global examples of highly successful account structures, we can draw out the critical features the European Commission should consider incorporating into its recommendations: investor choice of products and providers, simplified advice and digital accessibility. By combining the most effective elements of global best practices and integrating them with the EU's digital and cross-border initiatives, the Commission and Member States can increase retail participation, promote long-term investing, and strengthen the EU capital markets.

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[5] See Investment Company Institute comment letter responding to the European Commission's call for evidence on recommendations on Savings and Investment Union, dated 4 July 2025, available at https://www.ici.org/system/files/2025-07/25-cl-savings-investment-accounts-recommendations.pdf.

Annex A

Untangling the complexities of the asset management sector

ICI's proposed Action Plan on Reducing Barriers in Asset Management reflects the complex realities of the asset management sector. It offers a pragmatic and scalable solution that accounts for industry complexity, Member State competencies, and the EU's institutional framework. It has the potential to reduce operational barriers, enable more efficient cross-border activity, and enhance the EU's global competitiveness, delivering long-term value for European investors and the broader economy.

The asset management industry across the EU is marked by significant diversity in business models, regulatory obligations, and operational structures. This diversity is shaped by several factors: firms may operate in one or multiple Member States; they may be employee-owned, publicly-owned, or subsidiaries of insurance companies or banks; they may serve retail or institutional investors, or both; and they may offer a limited or broad range of products, such as UCITS, portfolio management services, or alternative investment funds. All of these factors impact how they choose to structure themselves and how they are regulated. Additionally, tax and labour laws, historical footprint, investor preferences, and national licensing requirements also influence how firms structure their operations.

There is no uniform or ideal operating model across the asset management sector. Some firms manage a single UCITS platform, while others are part of global financial groups offering a complex mix of services. Operational decisions such as where to locate key functions are driven by both internal factors and external legal constraints. Key structural and legal constraints—such as national tax regimes, labour law, and local definitions of substance—often prevent firms from consolidating functions across group entities. As such, identifying practical, effective regulatory solutions requires a tailored and nuanced approach. A one-size-fits-all model, especially one based on structural consolidation or centralised oversight, is incompatible with the realities of the industry.

The web of regulatory frameworks to which asset management firms may be subject, as well as the myriad of organisational structures that a firm may utilise, are described briefly below. This illustrates that firms operate in a complex environment in which they must consider various drivers as they establish and grow their business.

A. <u>Understanding the regulatory frameworks to which asset managers are subject depends on their specific activities</u>

Asset managers that provide investment/asset management services in the European Union are subject to one or more EU regulatory frameworks, depending on the specific investment services that they provide. A firm may be required to comply with the Markets in Financial Instruments Directive (MiFID); (ii) the Undertaking in Collective Investments in Transferrable Securities Directive (UCITS Directive) and/or (iii) the Alternative Investment Fund Manager Directive (AIFMD). Each of these regulatory frameworks imposes distinct requirements and

obligations on a firm's operations, creating a complex web of regulatory requirements for firms with multiple business lines.

i. MiFID

MiFID governs the operation of financial markets and the provision of investment services by firms within the EU, including: (i) reception and transmission of orders in relation to one or more financial instruments; (ii) execution of orders on behalf of clients; (iii) dealing on own account; (iv) portfolio management (including to separate account clients and collective investment vehicles); (v) the making of a personal recommendation: (vi) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; (vii) placing of financial instruments without a firm commitment basis; (viii) operation of a multilateral trading facility); and (ix) operation of an organised trading facility. An asset manager that performs any of these services will need to comply with MiFID, with the obligations applicable to that firm dependent on the specific investment services or activities the firm performs.

ii. UCITS Directive

An asset manager whose regular business is collective portfolio management of UCITS (referred to as a UCITS management company, or UCITS ManCo) will need to comply with the requirements of the UCITS Directive. This directive establishes a harmonised framework within the EU for retail investment funds, allowing a UCITS authorised in one Member State to be distributed across the EU (*i.e.*, the UCITS passport). UCITS ManCos are responsible for the day-to-day management of UCITS, including investment decisions, operational activities, and compliance with regulations.

A UCITS ManCo that solely manages UCITS is exempt from MiFID because it is subject to the UCITS Directive. A UCITS ManCo may, however, elect to perform certain additional activities, such as portfolio management with respect to separately managed accounts – referred to as "top-up" MiFID activities. In this case, the UCITS ManCo will be subject to certain MiFID requirements, but only with respect to those additional activities. Asset managers that do not sponsor UCITS (and are not authorised UCITS ManCos) are not subject to UCITS regulation.

iii. AIFM Directive

An EU-based and non-EU based asset manager that manages or markets an alternative investment fund (AIF, essentially any collective investment scheme that is not a UCITS) within the EU is subject to the AIFMD. The AIFMD permits an EU AIF manager (AIFM) to market units or shares of any EU AIF that it manages to professional investors in the home Member State of the AIFM as well as other EU Member States (*i.e.*, the AIFM marketing passport).

An AIFM that solely manages AIFs is exempt from MiFID because it is subject to the AIFMD. Like a UCITS ManCo, an AIFM may elect to perform certain additional activities, such as portfolio management with respect to separately managed accounts – referred to as "top-up"

MiFID activities. In this case, AIFM will be subject to certain MiFID requirements, but only with respect to those additional activities. Asset managers that do not sponsor AIFs (and are not authorised AIFMs) are not subject to the AIFMD and its related regulations.

iv. Differing Substance and Licensing Requirements

The regulatory framework(s) to which an asset manager is subject, and the Member State in which it operates is consequential. National authorities often apply rules differently with respect to the substance and licensing of asset managers operating in the Member State depending on whether the manager is operating in the Union as a MiFID firm, UCITS ManCo or AIFM, and whether the UCITS ManCo or AIFM will utilize MiFID "top-up" permissions.

Regulatory requirements also vary from Member State to Member State irrespective of the choice of operating model (*i.e.*, different requirements for MiFID firms in different Member States), including with respect to: (i) the number of full time equivalents (FTE) required in-country; (ii) dedicated time; (iii) skillset and proficiency requirements for directors and senior managers; (iv) decision making; (v) reporting lines; (vi) language requirements; (vii) nationality requirements; (vii) local compliance requirements; (viii) outsourcing limitations; and (vi) systems and IT requirements.

B. Asset managers operating in Europe may be structured in multiple ways

Various drivers impact an asset manager's choice of structure and domicile, and thereby the regulatory frameworks to which they are subject. The factual circumstances that each asset manager must consider are often unique to that asset manager, and the nature, scale and complexity of its business. Factors that are typically considered include the asset manager's expected geographic footprint, ownership structure, and anticipated products and service offerings. An asset manager may seek to operate in only one Member State and have no plans to expand throughout the EU, or it may plan to operate in multiple Members States. An asset manager may be publicly-owned, employee-owned, an insurance company subsidiary, the subsidiary of bank holding company, or otherwise by part of a large financial services organisation. The range of products and services that an asset manager wishes to offer may also vary greatly – it may plan to offer solely UCITS, or additionally sponsor AIFs and offer portfolio management services. Each of these factors will need to be considered. An asset manager will also need to evaluate tax laws and labor/employment laws to determine which structure and which Member State's regulations are most optimal.

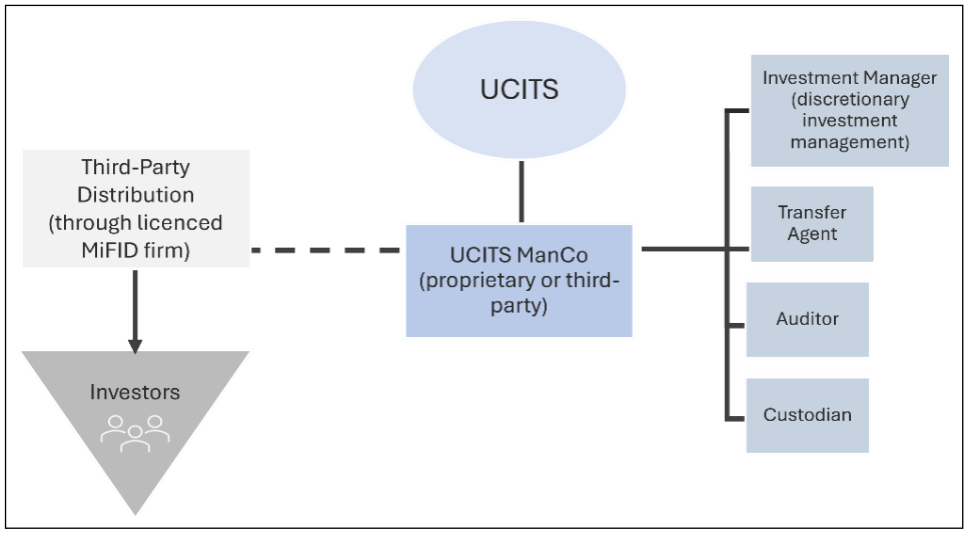
Further, in certain Member States, the national authority will require that the firm seeking authorisation (e.g., as a MiFID firm, AIFM or UCITS ManCo) be able to stand on its own and be a fully operationally independent firm in the jurisdiction regardless of the nature, scale or complexity of the global organisation. In contrast, other Member States have allowed the applicant to rely on outsourcing (whether intragroup or through third parties) to satisfy certain substance and infrastructure requirements, including with respect to human and technical resources, in applying for a license. This outsourcing can increase efficiency and ensure access to expertise.

C. Common Operating Structures

With the regulatory framework described above in mind, asset managers establish and grow their operations in the EU in a manner that best accommodates the specific products and services they wish to offer in the EU. We describe below certain common structures used by asset managers to operate an asset management business in the EU.

i. Firm Solely Offering UCITS to EU Investors

An asset manager may solely offer UCITS to EU investors, and no other products or services. Such firm may itself act as the ManCo – proprietary ManCo, or it may utilise a third-party UCITS ManCo, rather than perform the management company responsibilities itself. In the third-party ManCo structure, the sponsoring asset manager's primary role is providing discretionary investment management to the UCITS and coordinating its various service providers. The asset manager relies on third-parties to market and sell shares of the UCITS (i.e., to conduct the MiFID regulated activities of "reception and transmission of orders" or "investment advice") by contracting with licensed sub-distributors and placement agents.

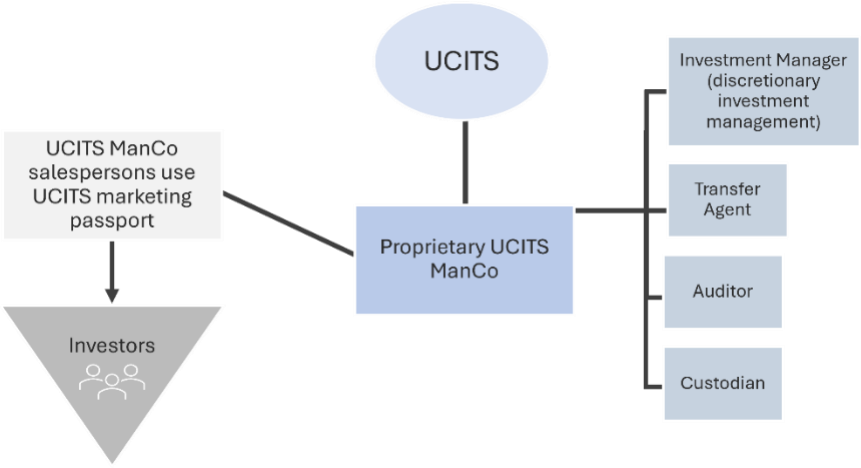


ii. Firm Offering UCITS to EU Investors with Proprietary Sales Team from a Permanent Establishment in the EU

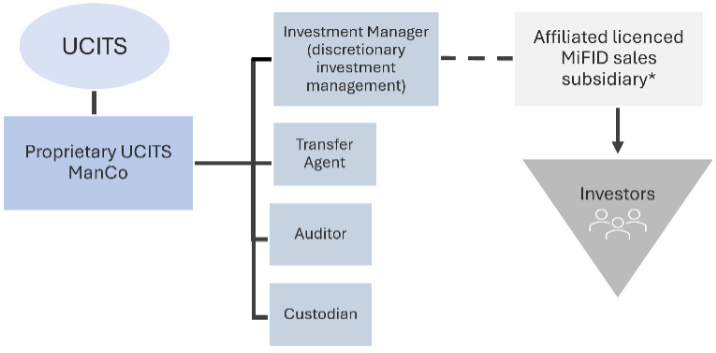
Alternatively, a firm that offers UCITS to EU investors may wish to facilitate the sale of the UCITS it sponsors either directly or indirectly by wholesaling to third party regulated firms. In order to do so, the UCITS sponsor will employ a sales team operating from a permanent establishment in the EU (Sales Office). The establishment of a Sales Office can be accomplished by: (1) utilising the UCITS marketing passport of a proprietary UCITS ManCo to facilitate cross-border sales of UCITS; (2) establishing an affiliated MiFID firm alongside a UCITS ManCo in an EU country that can employ sales representatives that can conduct

reception and transmission of orders and provide investment advice and passport that entity into other EU jurisdictions using the MiFID outbound services passport; (3) organising a permanent establishment in the country in which active sales will occur and seeking a local license to conduct UCITS sales activity (*e.g.*, a local German license issued under Section 34f of the German Trade Regulations (Gewerbeordnung, GewO)); and/or (4) organising a separate entity in another jurisdiction to facilitate sales and marketing and being a tied agent of a MiFID firm. Please see diagrams below providing an illustration of each of the options listed above.

(1) UCITS ManCo Passport

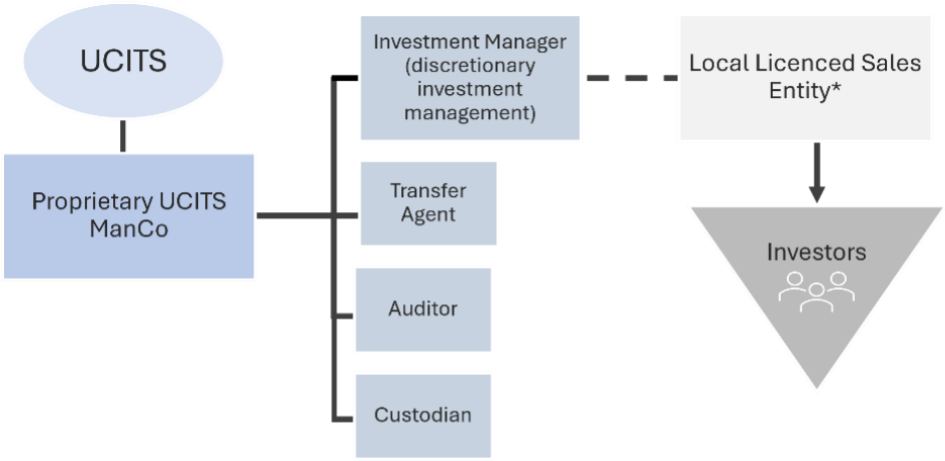


(2) Licenced MiFID Sales Entity



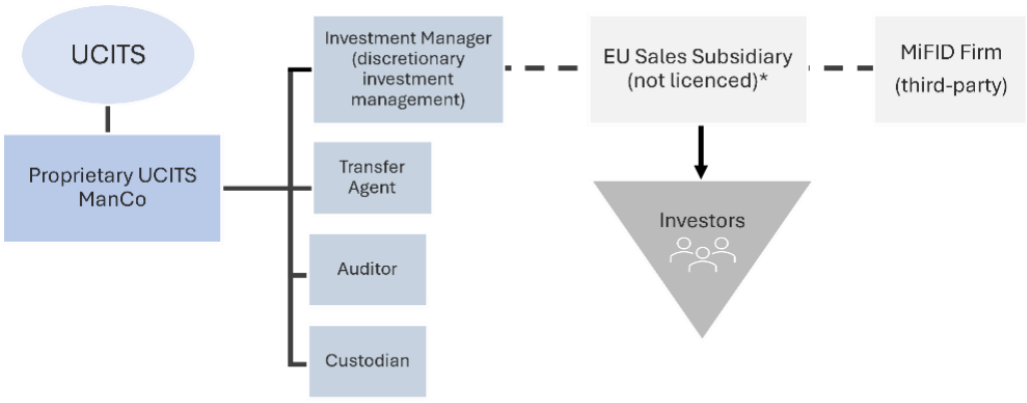
*This entity can passport its services into other jurisdictions using the MiFID Outbound Services Passport

(3) Locally Licenced Sales Entity



*This local licence permits conducting UCITS sales activity only in that jurisdiction

(4) Tied Agent



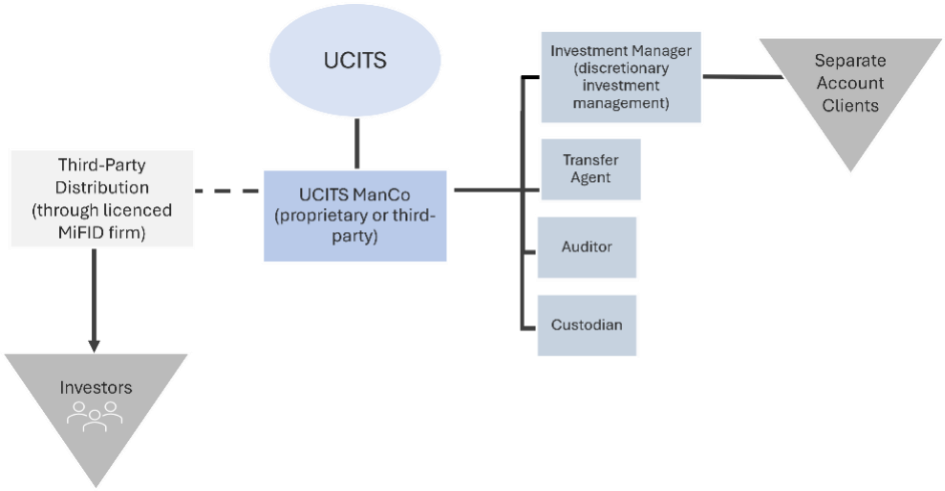
*Salespersons of the sale subsidiary are tied agents and supervised by the third-party MiFID firm

iii. Offering Portfolio Management Services in Addition to Sponsoring UCITS

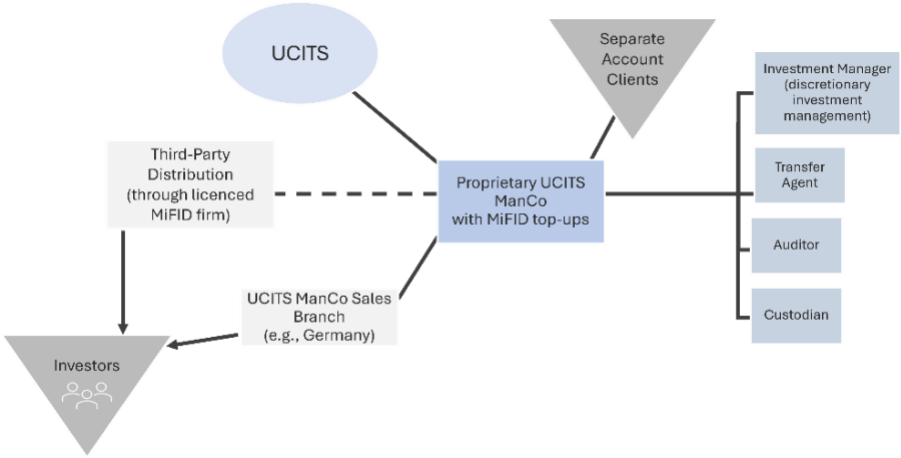
In addition to sponsoring UCITS, an asset manager may offer portfolio management services to EU clients – whether separate accounts or collective investment schemes. In this situation, the asset manager could: (1) establish a separate MiFID firm that is regulated to provide portfolio management; or (2) seek authorisation for the UCITS ManCo to perform portfolio management services as a "top-up" to its UCITS ManCo license. The UCITS ManCo will be subject to certain MiFID requirements but only in relation to such MiFID business (*e.g.*,

portfolio management with respect to separately managed accounts). The establishment of a new MiFID firm adds the additional complexity of compliance with another regulatory regime.

(1) Separate Portfolio Management MiFID Firm



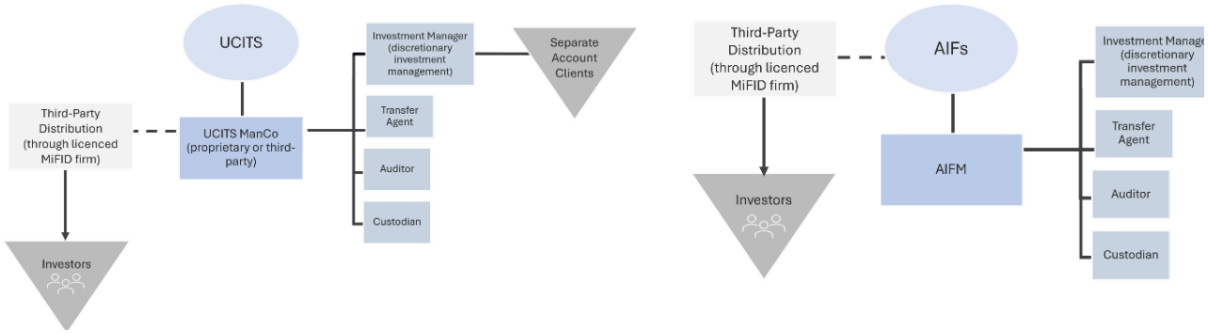
(2) MiFID Top-Up Licence



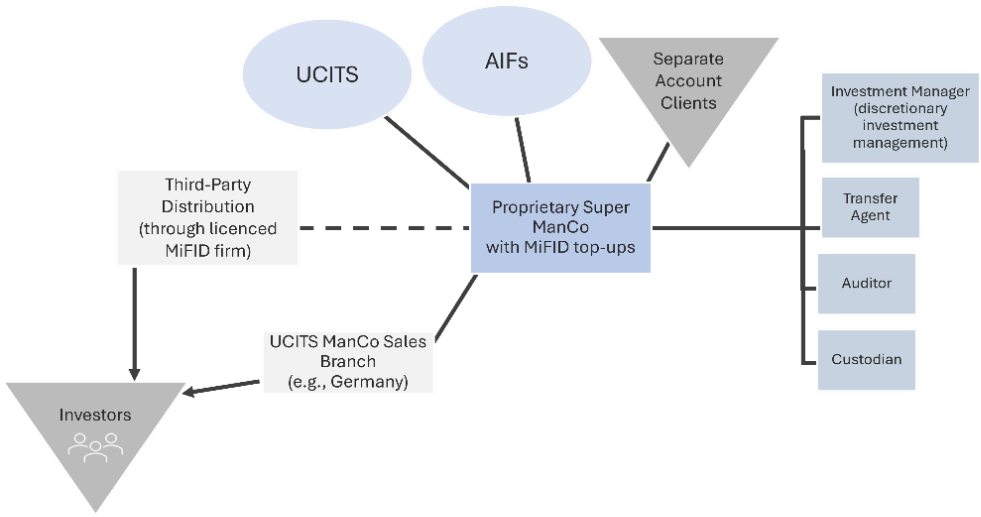
iv. Offering UCITS, AIFs, and Portfolio Management Services

An asset manager that offers UCITS and portfolio management services may additionally offer AIFs. In order to do so, the asset manager could either: (1) establish a new entity in an EU Member State to be regulated as an AIFM or (2) upgrade its UCITS ManCo license even further to allow it to manage AIFs as well as managing UCITS and providing portfolio management services. This is referred to as a Super ManCo. A Super ManCo will be authorised under both the UCITS Directive and the AIFM Directive and will also be subject to MiFID.

(1) Offering UCITS, AIFs, and Portfolio Management Services



(2) Super ManCo with MiFID Permissions



v. Offering UCITS, Proprietary Sales Team, Portfolio Management Services, Trading

To the extent that an asset manager offers additional MiFID services, the firm is required to upgrade its MiFID license (*e.g.*, for trading and execution and orders on behalf of clients). It is then required to comply with the MiFID regulations that govern the performance of those regulated activities, such as the (i) reception and transmission of orders in relation to one or more financial instruments; (ii) execution of orders on behalf of clients; (iii) dealing on own account; (iv) portfolio management; (v) the making of a personal recommendation: (vi) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; (vii) placing of financial instruments without a firm commitment basis; (viii) operation of a multilateral trading facility; and (ix) operation of an organised trading facility.

vi. Case Study

The following is a case study that reflects the decision-making of an asset manager, "XYZ Adviser," looking to establish an asset management business in the EU.

XYZ Adviser desired to provide the following services in the EU: (1) portfolio management services to separate account clients; (2) sponsor and manage AIFs; (3) sub-advise Irish-domiciled UCITS; and (4) employ sales representatives in the EU to sell shares of UCITS and AIFs and market separate accounts. To accomplish these objectives, XYZ Adviser needed a MiFID license for the following activities: (i) reception and transmission of orders; (ii) portfolio management; and (iii) investment advice. Other regulated activities that are associated with a full service "MiFID" firm (e.g., agency execution for clients, proprietary trading, underwriting, custody, placing etc.) were not required for XYZ Adviser. As a result, the cost and complexity of establishing a full-service MiFID firm was not warranted.

XYZ Adviser could obtain the regulatory permissions necessary to achieve its objectives with an AIFM or UCITS ManCo license to perform portfolio management services, which is a less complex application to obtain than a full service MiFID firm. Since XYZ Adviser did not have an immediate need to sponsor UCITS (it acts only as a sub-adviser), the choice of a UCITS ManCo was less desirable than an AIFM. In addition, an AIFM was less burdensome from a compliance perspective to operate than a UCITS ManCo. While a MiFID firm cannot act as an AIFM or UCITS ManCo, an AIFM may sponsor AIFs and also convert and/or upgrade its license to sponsor UCITS at a later date with more compliance infrastructure and net capital (i.e., convert to a Super ManCo), which XYZ Adviser preferred.

As a result, an AIFM licensed with portfolio management permission provided the most efficient regulatory structure to achieve the business objective today while preserving flexibility for independent UCITS product development in the future. The AIFM would also be able to contract with EU separate account clients to manage such mandates directly or delegate to an affiliate (provided the AIFM was ultimately responsible from a liability perspective to the Union client).

A review of the key corporate and employment law, taxation regulations, and substance requirements of various Member States was undertaken for XZY Adviser to determine the best location to establish an entity. There was substantial disparity in the laws and the substance requirements. In addition, a regulatory analysis was undertaken to determine which jurisdiction's rules presented the least amount of complexity and additional regulatory requirements (gold-plating). Based on all of the facts and circumstances, a decision on jurisdiction and regulatory status was made.