

## Focus on Funds: Top Concerns for Global Funds as Brexit Advances

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Global funds and their investors are counting on negotiators to stay committed to open markets for fund investment and distribution after the United Kingdom leaves the European Union. In the April 27, 2018, edition of *Focus on Funds*, ICI Global Managing Director Dan Waters summarizes the potential effects of Brexit on funds.

#### Transcript

**Stephanie Ortbals-Tibbs, ICI director of media relations:** What are the risks and opportunities facing global funds and their investors as the UK prepares to exit the European Union? At Chatham House's recent spring capital markets conference, that topped the agenda of a panel discussion that ICI Global Managing Director Dan Waters moderated. And afterwards, he shared with me these key takeaways.

**Dan Waters, ICI Global managing director:** We focus, as you would have expected, on delegation for quite a lot of the discussion. That's one of the ICI Global members' most important priorities in the Brexit debate. We heard some encouraging things, I think, from Robert Ophèle, the chairman of the [Autorité des marchés financiers] in Paris, who basically said, "We're not trying to undermine the global delegation model."

I think the discussion there is really something more around substance, the demonstration of the control of the delegation. That's something that I think our members are quite comfortable with, because our members have substantial presences in many jurisdictions in the EU. So I think it was somewhat comforting to hear that kind of discussion going on; that was a big issue. Also, a lot of discussion of the CMU [Capital Markets Union].

**Ortbals-Tibbs:** Indeed, there was a lot of discussion of, how can we make this something more—well, let's go back to the word, substantive?

**Waters:** And that's been a concern all along. And I think there was a bit of cynicism, I would even say, expressed about why the CMU was launched. But we're kind of beyond that now, and we're really looking for some outcomes.

We expressed our disappointment about the recent proposal by the [European] Commission in respect to cross-border barriers to distribution and UCITS, and we were hoping for something a bit more energetic to solve some of the barriers to the single market in UCITS. And I think there's some support for that on what the panel was hearing as well. That's the beginning of that process, and

we'll see where that goes from there.

**Ortbals-Tibbs:** Dan, we can't close out this conversation without also talking about the discussion about the free-trade agreement.

**Waters:** So that's something that our members are very keen to see—namely, that financial services should be included in the scope of the free-trade agreement. It's very interesting—in references made to the statements by the French minister of finance, who's been quite categorically saying it's not possible—but interestingly, the draft guidelines from the [European] Council mention services.

So I think the door is open, and I do think—and I certainly took from some of the things that were said in the discussion today—that reasonable people trying to find a solution ought to be able to find some middle ground there, where financial services could be included.

We all know it's not going to be the single market, and I think everybody accepts, if you don't accept the Four Freedoms, you don't get the single market. The impression is that the UK government's not looking for the Norway solution. But they're looking for more than Canada.

And certainly, our members, from our perspective, we want to keep servicing of our funds and our investors' needs paramount, so that the least disruption is what we're looking for. We know we're not going to have the same world that we have now, but we'd like to have one that works for our investors. So I took some hope away from that.

## Additional Resources

- Video: [Funds, Investors Confront Risks to Popular Global Model](#)
- Video: [View from the Square Mile: Impact of Brexit on Fund Industry](#)
- Comment Letter: [ICI Global Response to European Commission's ESA Reform Proposal—Delegation to Third-Country Entities](#)
- Comment Letter: [ICI Global Submits Comment Letter on European Commission Proposal to Impose Location Requirement on Clearinghouses](#)
- Release: [UCITS Fund Distribution Reforms Would Benefit Investors and Markets](#)
- *ICI Viewpoints*: [Matching Models to Reality: Doomsayers Are Disappointed as Funds Weather Brexit Shock](#)