INVESTMENT COMPANY INSTITUTE

The Asset Management Industry
SERVING INDIVIDUAL INVESTORS

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Re: Single market strategy for 2025 – Call for evidence

The Investment Company Institute (ICI)[1] appreciates the opportunity to share our views on the European Commission call for evidence on its Single Market Strategy for 2025.[2] We welcome the Commission's efforts to promote the cross-border provision of services and cross-border movement of goods, and agree that central to this effort will be removing existing regulatory and administrative barriers, and preventing new ones.

ICI's 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,[3] 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 essential 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

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[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 €47.2 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] European Commission call for evidence on single market strategy for 2025, available at https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14475-Single-market-strategy-2025_en.

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

increases compliance costs but also leads to market fragmentation that creates barriers and bottlenecks in the EU market, as varying national standards disrupt the uniformity of the single market. Consequently, these barriers hinder the scaling up of investment funds, limit retail investor participation in the capital markets, and undermine the objectives of the UCITS Directive.[4]

To address these issues, the Single Market Strategy for 2025 should include a targeted focus on improving the regulatory ecosystem for the asset management industry in order to benefit long-term individual investors and to foster greater economic growth across the EU.

This work should be grounded in the following four principles:

1. **Fulfill Commission President Ursula von der Leyen's mandate to reduce reporting obligations by 25%, and 35% for SMEs,[5] and apply this mandate to the asset management regulatory regime**.

ICI strongly supports the Commission's efforts to develop an Omnibus Simplification Package aimed at simplifying reporting obligations in legislation including the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy Regulation, and the Corporate Sustainability Due Diligence Directive (CSDDD). It is critical that sustainable finance reporting requirements are aligned, cohesive, and streamlined to produce meaningful information for investors.

While reducing reporting requirements for corporate entities is a positive step, it is insufficient to fully achieve the Commission's objectives. A high level of political ambition to remove red tape, accompanied by bold and swift actions to reform the regulatory framework, is needed. The Commission should also consider conducting a more holistic assessment of regulatory burdens on financial market participants that overlap across the full panoply of EU rules. In addition to looking at regulatory impacts idiosyncratically and cumulatively, policymakers should consider whether changes to the legislative process, including impact assessments, could ultimately result in a better regulatory ecosystem.

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[4] The objective of the Undertakings for Collective Investment in Transferable Securities Directive (Directive 2009/65/EC, "UCITS") is to create a single market for investment funds.

[5] "You will ensure that existing rules are fit-for-purpose and focus on reducing administrative burdens and simplifying legislation. You must contribute to reducing reporting obligations by at least 25% – and for SMEs at least 35%. You should leverage the power of digital tools to deliver better and faster solutions. We must listen to all companies and stakeholders who work on a daily basis to comply with EU legislation." Mission Letter from Ursula von der Leyen to Stéphane Séjourné, dated 17 September 2024, available at https://commission.europa.eu/document/download/6ef52679-19b9-4a8d-b7b2-cb99eb384eca_en?filename=Mission%20letter%20-%20S%C3%89JOURN%C3%89.pdf.

As a starting point, simplifying and streamlining disclosure requirements under regimes such as the Sustainable Finance Disclosure Regulation (SFDR) is essential.[6] There is clear and unnecessary overlap and duplication between the entity level SFDR disclosures and the CSRD reporting regime. Thorough assessment is needed to consider which reporting line is the most beneficial to eliminate the overlap. Moreover, the current amount and complexity of information included in the SFDR disclosure templates is overwhelming and of negligible use to investors. Retail investors benefit from standardised disclosures that are clear and informative. Current disclosures are of limited value to retail investors due to their length and complexity, and limited value to professional investors with mandates tailored to their respective needs.

The same rationale of simplifying and reducing excessive reporting while ensuring meaningful information is provided to investors should apply to other legislative files, such as the Packaged Retail and Insurance-based Investments Products Regulation (PRIIPs) and the Retail Investment Strategy (RIS). The overly complex disclosures contained in the PRIIPs Key Information Document (KID), along with the overlapping investor tests foreseen in the current RIS negotiations, provide a sharp example of burdensome regulatory reporting obligations that do not benefit EU retail investors.

A particularly striking case of regulatory overlap in the RIS negotiations is a proposed amendment to the PRIIPs KID that would require funds to report sustainability information that is already disclosed under the SFDR templates. The amendment was not included in the Commission's RIS impact assessment, yet it would impose significant costs on European investors. This illustrates how the current legislative process can lead to a complex web of overlapping, duplicative, and unnecessarily burdensome reporting requirements—ultimately hindering rather than helping retail investors.

It is critical that disclosure requirements for investment funds be simplified and streamlined to promote 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. These necessary changes will maintain investor protections and result in better information for investors, empowering them to make more informed choices.

[6] See ICI response to European Commission targeted consultation on implementation of the sustainable finance disclosure regulation (SFDR), dated 15 December 2023, available at: https://www.ici.org/system/files/2023-12/23-icig-cl-ec-sfdr-review.pdf.

2. **Ensure that financial services legislation is guided by a foundational objective to strike the appropriate balance between fostering economic growth and safeguarding investor protection.**

Creating a regulatory ecosystem where capital markets can thrive will require refocusing the objectives of financial services regulation. The negative unintended consequences of the Commission's vigorous regulatory agenda for financial services over the last several years are now coming to light. The current mandate is an opportunity, not only to ensure current regulations are fit for purpose, but to take steps to ensure that future regulations are not undermining the success of the European capital markets.

To that end, the Commission should balance economic growth with investor protection when considering new legislation and reviewing existing legislation. In addition, ICI encourages the Commission to conduct impact assessments of new or amended financial services legislation based on the final rules agreed by the co-legislators, taking into account the holistic costs and benefits of the rules when combined with related regulatory frameworks.

A positive example of reviewing existing rules through this lens is the targeted consultation on the functioning of the Securitisation Framework. ICI strongly believes that strengthening the securitisation framework will benefit both investors and the European economy by enabling these investments to act as an effective credit channel within the EU.[7] Unfortunately, the EU has not fully realised the benefits of a well-developed securitisation market, nor experienced the same growth in the securitisation market as other jurisdictions. Unlike these other jurisdictions, the EU has adopted a framework that acts a bottleneck to investment due to reporting and due diligence requirements focused more on prescriptive templates rather than meaningful information.

We welcome the Commission's consideration of balancing risk and growth in its review of the Securitisation Regulation, and strongly encourage this approach across other legislative reviews, such as the SFDR. It is essential that the financial services regulatory framework is designed to foster economic growth and innovation. This can be done without impinging on investor protection. Getting the balance right is crucial to the success of the single market.

3. **Support coordinated implementation, supervision and enforcement among national competent authorities, with the ultimate goal of eliminating fragmentation among Member States**.

[7] See ICI response to European Commission targeted consultation on the functioning of the EU Securitisation Framework, dated 3 December 2024, available at: https://www.ici.org/system/files/2024-12/24-cl-european-consultation-securitisation_0.pdf

ICI strongly supports the Implementation Dialogue mandated by Commission President Ursula von der Leyen in her mission letter.[8] However, as the call for evidence notes, the removal of single market barriers requires action at both EU and Member State levels. Member States must work together with a commitment to greater harmonisation of the rulebook. This will require eliminating regulatory and supervisory divergence among Member States and reducing gold-plating to the extent possible.

Gold-plating by Member States imposes additional regulatory hurdles on financial market participants, going beyond regulatory obligations agreed by the co-legislators. These hurdles frequently include increased approval requirements, more extensive disclosure obligations, and burdensome licensing and authorisation processes. Some 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.[9]

These gold-plating measures force fund managers to tailor products to individual markets, driving up costs and preventing scalability. Consistent with this, ICI research shows that UCITS funds distributed across multiple Member States tend to be more expensive than those sold in a single Member State.[10] This is diminishing the growth of the UCITS regime in a manner that not only dampens the retail investor participation but also impedes the objectives of the Single Market Strategy. These facts underscore the unintended consequences of regulatory divergence at the national level.

The asset management industry operates at a global scale, offering European citizens access, via UCITS, to international and domestic markets. The UCITS regime was developed to provide a harmonised regulatory framework facilitating the development, management, and distribution of investment funds to retail investors across any EU Member State. It is perhaps one of the greatest success stories of the EU single market in financial services. However, for the benefits of UCITS to be fully realised, Member States must eliminate regulatory and supervisory divergence and significantly reduce gold-plating by working together to come to

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[8] "You will organise at least two Implementation Dialogues per year with stakeholders to align implementation with realities on the ground. You will prepare an Annual Progress Report on Enforcement and Implementation for your respective Parliamentary committees and Council formations." Mission Letter from Ursula von der Leyen to Stéphane Séjourné, dated 17 September 2024, available at https://commission.europa.eu/document/download/6ef52679-19b9-4a8d-b7b2-cb99eb384eca_en?filename=Mission%20letter%20-%20S%C3%89JOURN%C3%89.pdf

[9] Gold-plating in EU Capital Market Law: Regulatory Practices in Select Jurisditions, CFA Society Poland, December 2024, available at 2024-gold-plating-in-eu-capital-markets.pdf.

[10] ICI Research Perspective: Ongoing Charges for UCITS in the European Union, 2023. Vol. 30, No. 10. December 2024, available at https://www.ici.org/system/files/2024-12/per30-10.pdf.

common consensus on regulatory interpretations, as well as supervisory and regulatory approaches.[11]

Gold-plating imposes unnecessary legal, administrative, and financial burdens on fund managers and investors by adding regulatory requirements beyond EU standards. This practice raises costs, restricts cross-border fund distribution, and limits investor access to a wide range of investment opportunities. By reducing market efficiency and competitiveness, gold-plating hinders the development of the single market and the Capital Markets Union, ultimately weakening the EU's ability to compete on the global stage.

4. **Advance the Savings and Investments Union (SIU) through global market integration.**

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, capitalize 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,[12] 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

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[11] Gold-plating of UCITS exists not only in Member State-specific supervisory reporting regimes, but also among other regulations that impact UCITS advice, marketing and distribution. For example, sustainability-related labelling, marketing, and distribution frameworks, such as the so-called AMF Doctrine, have created variation among Member States for which funds can be marketed and distributed as sustainable. *See* AMF Position/Recommendation DOC 2020 03.

[12] As of year-end 2023, for example, US-domiciled mutual funds and exchange-traded funds held €1.5 trillion in European equities and bonds (excluding securities from the UK).

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.

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The Commission's call for evidence rightly points out that regulatory and administrative burdens continue to hamper the overall functioning of the single market and cross-border investments. The Single Market Strategy for 2025 presents an opportunity to create a regulatory framework that supports capital markets growth and prosperity for all Europeans.

Taken together, bold, concrete, and timely actions based on these principles will result in an efficient regulatory ecosystem that protects investors while maintaining efficient capital markets and facilitating investments. It is therefore of utmost importance that the Single Market Strategy 2025 complements the sector specific SIU.

We appreciate your consideration of our comments. If you have any questions or would like to discuss our comments further, please contact me at Anke.Klein@ici.org or Elizabeth Lance at Elizabeth.Lance@ici.org.

Sincerely,

/s/ Anke Klein

Anke Klein
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