9 June 2025

Submitted electronically via online questionnaire

RE: Targeted consultation on integration of EU capital markets - here
Deadline: 10 June 2025

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PART 1

1. Simplification and burden reduction

1) Is there a need for greater proportionality in the EU regulatory framework related to the trade, post-trade, asset management and funds sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If yes, please explain and provide suggestion on what form it should take.

RESPONSE: Select 1 (strongly agree)

ICI strongly supports the principle of proportionality as a fundamental element of effective financial regulation. 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:

1. **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.
2. **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.
3. **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.

4) Are there any barriers that could be addressed by turning (certain provisions of) the Alternative Investment Fund Managers Directive (AIFMD), Financial Collateral Directive (FCD), Markets in Financial Instruments Directive (MiFID), Undertakings for Collective Investment in Transferable Securities Directive (UCITSD), Settlement Finality Directive (SFD) into a Regulation? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain which barriers and how a Regulation could remove the barrier.

RESPONSE: Select 4 (Rather disagree)

Transforming the UCITSD into a Regulation would not be a sufficiently effective solution to address the persistent barriers to cross-border provision of investment fund services within the EU. While such a change could marginally reduce legal fragmentation, it risks distracting from the core structural issue: the inconsistent application and supervision of UCITS rules by NCAs, including the widespread and often opaque practice of gold-plating.

Asset managers operating UCITS across the EU continue to face divergent interpretations and supervisory practices at the national level, even when operating under what is a single market framework. These inconsistencies undermine the practical benefits of UCITS as a cross-border product, raising regulatory uncertainty and operational costs. They also delay product launches, limit asset managers' ability to achieve scale, and ultimately restrict investor access to a broader and more diverse range of investment solutions.

It is critical to recognise that the UCITSD already provides detailed requirements on the regulation of UCITS, which are further bolstered by delegated and implementing acts. The more pressing issue lies in the lack of convergence and consistency in the way that NCAs have implemented the rules and supervise compliance. In many cases, Member States have adopted UCITS requirements to reflect bespoke market structures or domestic policy priorities, introducing variations in areas such as marketing requirements, local service provider obligations, and product approvals. While these may appear justified at the national level, in aggregate they fragment the internal market and raise the costs of doing business across borders. As such, turning the UCITSD into a Regulation may offer symbolic value but does little to address the underlying supervisory fragmentation.

A far more effective approach would be to pursue: (1) greater supervisory convergence among NCAs; (2) stronger disciplines on gold-plating, including a EU-wide systematic review of national deviations from core UCITSD provisions; (3) streamlined regulatory procedures and standardised documentation for cross-border notifications, marketing, and authorisations; and (4) enhanced transparency and accountability mechanisms, so asset managers can better navigate national requirements and flag areas of persistent divergence. Only through such targeted and enforceable harmonisation can the EU deliver the scale and efficiency that the UCITSD was designed to enable. For global asset managers committed to offering European investors high-quality, competitively priced investment products, the current regulatory fragmentation continues to be one of the most significant impediments to integration.

Before considering the recasting of a directive as a regulation, an impact assessment is needed to evaluate whether the underlying issues remain relevant and whether the benefits outweigh the disruption of changing the current framework. Determining this balance would require stronger coordination and collaboration between NCAs, including common authorisation templates and more aligned supervisory practices. The impact often stems not only from the Level 1 text, but from varying national interpretations of Level 2 RTS and Level 3 Guidelines. More effort is needed to ensure these texts are drafted in a way that supports consistent application across jurisdictions.

5) Are there areas that would benefit from simplification in the interplay between different EU regulatory frameworks (e.g. between asset management framework and MiFID)? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also if possible present estimates of the resulting cost savings.

RESPONSE: Select 1 (Strongly agree)

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, the UCITSD, and the 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.

For example, product governance rules under MiFID apply to manufacturers and distributors of financial instruments, while the UCITSD and the 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 (especially at Level 2 and Level 3) 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 UCITS across the Single Market.

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 UCITSD requirements.

From both a regulatory coherence and capital markets integration perspective, a more harmonised and interoperable framework is urgently needed. We recommend the development of a streamlined approach to product governance and oversight, whereby compliance with the UCITSD 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.

Importantly, this simplification effort could be embedded within the ongoing revisions to MiFID, UCITSD, and AIFMD under the Retail Investment Strategy, which expressly aims to reduce unnecessary complexity and enhance the investor experience. By reducing redundancies and enabling a unified compliance architecture, such alignment would (1) lower legal and operational barriers to cross-border fund distribution, (2) accelerate time-to-market for UCITS, (3) facilitate broader investor access to a diverse range of investment options, and (4) contribute meaningfully to the objectives of the Capital Markets Union by improving scale and efficiency.

In sum, addressing the regulatory misalignment across these core frameworks is not merely a matter of reducing compliance burden, it is a necessary step toward making the EU a more competitive and integrated market for retail and institutional investors alike.

6) Would the key information documents for packaged retail and insurance-based investment products (PRIIPs KID) benefit from being streamlined and simplified? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also indicate what should be prioritised and if possible present estimates of the resulting cost savings.

RESPONSE: Select 1 (Strongly agree)

An appropriately and thoughtfully streamlined and simplified PRIIPs KID would benefit both investors and asset managers. Implemented in January of 2018 with the goal of improving the transparency and comparability of investment products for retail investors across the EU, certain elements of the PRIIPs regime have been not only unsuccessful and confusing, but also potentially detrimental to investors. As the co-legislators continue negotiations on the Retail Investment Strategy, including revisions to PRIIPs, we stress that, in order for it to be effective, the PRIIPs KID must refrain from including additional unnecessary elements that add complexity, such as the proposed "dashboard" and SFDR disclosures. Conversely, it must be revised in ways that increase an investor's access to and understanding of key information about the PRIIPs.

<u>Targeted Changes</u>

We recommend the following targeted changes to the PRIIPs KID. First, the disclosure of past performance should be included as part of a UCITS's KID. Past performance is a valuable tool for both investors and supervisors to assess the performance and costs of a UCITS and gaining a better understanding of the value delivered by a UCITS over time. The removal of past performance data from the PRIIPs KID, which was previously available in the UCITS KIID, has been detrimental in facilitating investors' and supervisors' assessment of a UCITS.

Second, we recommend that the requirement to include transaction costs as an element of cost disclosure be revised to require the disclosure of explicit transaction costs only, and not to require the inclusion of implicit transaction costs. The requirement to disclose implicit transaction costs, which has been in place in the EU for several years, has proven to be complex, difficult to implement, and prone to misleading results. The UK Financial Conduct Authority, as part of the reform of the retail disclosure framework, has concluded that implicit transaction costs are imprecise and hard to measure, and has indicated that it will no longer require their disclosure.

Innovative Disclosure and Electronic Delivery

The ongoing review of PRIIPs should focus on fostering innovative, investor-friendly disclosure and effective digital engagement. Firms should be encouraged to develop intuitive digital tools, such as layered disclosure and educational pop-ups, to increase point of sale engagement and investor understanding. Further, firms should be permitted to use electronic delivery as the default delivery method, with investors having the ability to opt-in to paper delivery, as is proposed in the revision to PRIIPs under the Retail Investment Strategy.

Implementation Timing

The timing of the deadline for the implementation of any changes to the PRIIPs KID is critical. The process of making changes to each and every PRIIPs KIDs, whether for a smaller firm offering fewer UCITS or one of the largest firms offering hundreds of UCITS, is operationally complex. Undertaking revisions and applying the necessary quality control measures – potentially to tens of thousands of documents – is a significant undertaking. For this reason, we strongly recommend that the implementation deadline for any changes to PRIIPs KIDs be both at least 12 months after the finalisation of any Level 2 measures and at year end. The operational complexity of applying mid-year changes is simply too high. Therefore, if for example, the final Level 2 rules are agreed and published in October 2027, these changes should apply to annual updates from 1 January 2029.

7) Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision? Yes / no / no opinion 7 If yes, please list your recommendation and suggested solutions. Please rank them as high, medium or low priority.

RESPONSE: Select YES

Achieving the SIU requires bold steps to simplify regulation, harmonise national approaches, and build a globally integrated market.

1. Streamline Reporting Obligations and Reduce Regulatory Burden

Reducing reporting burdens through the Omnibus is a key step forward, but simplification must also extend to asset managers, who face overlapping rules across regimes. For example, the duplication between SFDR entity-level disclosures and CSRD reporting must be streamlined to focus on meaningful information. Similarly, in PRIIPs and the RIS, complex templates and investor testing obligations add burdens without improving investor outcomes.

New regulations often require the creation of supervisory data reporting templates. A more integrated reporting framework, built with collaboration between regulators and industry would minimise inefficiencies. A holistic review of reporting obligations is needed to align rules, improve investor information and reduce compliance complexity—while preserving investor protection.

2. Rebalance Regulation to Promote Growth Alongside Investor Protection

A realignment of financial services legislation to ensure it supports economic growth as well as investor protection is needed. All rules should undergo comprehensive impact assessments (reflecting the final text) for their cumulative effects. The Securitisation Framework review is a strong example, with the Commission seeking to ease bottlenecks while preserving appropriate safeguards. A more functional securitisation market could boost credit creation and long-term EU investment. This balanced, outcomes-focused approach should extend to reviews of SFDR and PRIIPs.

The current approach to implementation often places unnecessary strain on firms and supervisors due to poor sequencing and unrealistic timelines. Requiring compliance with L1 rules before L2 and 3 details are available leads to duplicated efforts and increased costs. Better coordination is necessary to ease implementation challenges.

3. Reduce Fragmentation and Gold-Plating Among Member States

Gold-plating forces UCITS managers to customise products, raising costs and limiting scale. These measures restrict retail investor access to diversified investment opportunities. Funds distributed across borders are often more expensive, reflecting regulatory friction. To preserve UCITS as a flagship of EU financial integration, Member States must reduce national variation. Regulatory and supervisory harmonisation is vital for competitiveness and economic progress.

4. Undertake a Comprehensive, Integrated Review of Core Asset Management Frameworks to Promote Both Market Growth and Investor Confidence

Asset managers navigate a complex and fragmented regulatory landscape shaped by multiple EU-level frameworks developed independently and at different points in time. The cumulative effect of this layering has introduced regulatory frictions that inhibits innovation, cross-border activity, and scale. A comprehensive, cross-framework review focused specifically on the regulatory architecture governing asset managers is needed. This review should form the foundation of an Omnibus-style initiative tailored to removing unnecessary duplication and improving coherence across files. Rather than reopening each piece of legislation, it would identify areas where the current framework produces duplicative, unnecessary, or costly requirements that could be removed.

Crucially, this effort should not be framed solely as a simplification exercise. It should reaffirm a balanced regulatory philosophy: one that safeguards investor protection while also enabling responsible market development and innovation. This balance can be most effectively achieved through:

- The inclusion of an “efficiency” consideration in the review of legislation regarding asset manager’s ability to operate cross-border and meet evolving investor preferences;
- Cumulative impact assessments, ensuring that final negotiated outcomes are assessed in terms of their interaction with other regulatory obligations, operational feasibility, and market implications.

5. Global Market Integration Will Realise the SIU’s Potential

A successful SIU must expand access to international markets and attract global asset managers. UCITS enable investors to access both domestic and global markets. At the same time, the EU benefits from international asset managers as sources of capital, innovation, and jobs. For instance, US-based UCITS sponsors held over €640 billion in European equities and bonds (ex-UK) at the end of last year—more than one-fifth of all UCITS assets invested in Europe.

To stay globally competitive, the EU must ensure that its regulatory framework supports openness, competition, and cross-border participation. An integrated, investor-friendly SIU will enhance Europe's economic resilience, improve capital allocation, and deliver better outcomes for savers.

9) Would more EU level supervision contribute to the aim of simplification and burden reduction? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion' and explain

RESPONSE: Select 5 (Strongly disagree)

ICI strongly supports the Commission's efforts to foster deeper and more integrated capital markets, ultimately benefiting European citizens. By harmonising functional regulatory requirements, the Commission can drive down barriers to entry. For the asset management industry, we believe that harmonised supervision does not require a single supervisor and can be achieved through convergence of national supervisory practices and the elimination of gold plating that creates barriers to entry.

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 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.

Despite significant progress in regulatory harmonisation, NCAs continue to apply rules inconsistently, particularly in areas related to licensing and substance requirements for asset managers. These divergences can reflect protectionist tendencies that discourage cross-border activities, increase compliance burdens, and restrict choice for businesses and investors. Inconsistent application undermines confidence among market participants and trust between NCAs. Given the varied business models, regulatory obligations, and operational structures across asset managers, identifying practical and effective solutions requires a tailored approach. Each asset manager is unique, including with respect to the nature, scale and complexity of its business and where it operates. The ownership structure of an asset manager (e.g., employee owned, subsidiary of bank holding company, etc.), its regulatory status, its target investor base, as well as the products and services that are offered (e.g., UCITS, portfolio management services, alternative investment funds) may dictate one structure over another. Labor and tax considerations also play a critical role in shaping operating models. This complexity must be balanced against the continuing responsibility of NCAs for investor protection within their jurisdictions.

Creating a single EU-level supervisor for asset management 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.

Instead, we see greater value in enhancing collaboration and coordination among NCAs, with ESMA acting as a structured facilitator of convergence, rather than a replacement for national supervision.

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 hinder the functioning of the internal market.
- Development of a framework for evaluating the EU-wide impact of national divergences, with input from NCAs, ESMA, and market participants. This would provide an empirical basis for assessing whether bespoke implementation approaches improve investor protection or create unnecessary frictions.
- Establishing a structured NCA coordination mechanism facilitated by ESMA, such as a supervisory college, coordination council, or other NCA-peer exchange platform, that serves 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 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, 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.

PART 2

5. Asset management and funds

5.2. Authorisation Procedures

5.2.1. Authorisation of Management Companies (UCITS and AIFMD)

15) Does the current authorisation process for management companies under the UCITSD/AIFMD act as a barrier to the functioning of the single market?

RESPONSE: Select Yes

The current processes, which arise from fragmented implementation, gold-plating, and inconsistent operational practices among Member States, present meaningful barriers to the Single Market. While the UCITSD sets out a harmonised legal framework, in practice, material differences persist among Member States in how authorisation and supervision are conducted.

These differences arise both in the formal procedural requirements (e.g. documentation, application formats, data collection) and in the substantive criteria applied by NCAs.

The most acute divergences are observed in:

- Substance requirements, including expectations around the number, roles, and qualifications of local full-time employees (FTEs). Some NCAs impose unwritten thresholds or demand levels of local presence that go beyond the directive and are not justified by risk-based considerations.
- Governance and operational expectations, such as the location and seniority of decision-makers, which are often judged subjectively and can differ substantially between jurisdictions.
- Supervisory intensity and frequency, with differing expectations on reporting, on-site visits, and compliance testing.
- In addition, there are operational barriers as NCAs use distinct and often outdated online platforms for filings, which vary widely in functionality, language availability, and processing speed.

These divergences make it difficult for asset managers to have clarity on what is expected of them and to apply a consistent operating model across jurisdictions; further, they discourage efficient cross-border structuring, increase operational risk and administrative burden, and raise costs. In some cases, Member State implementation appears to be driven less by investor protection than by Member State preferences to retain local substance or market share.

16) Are the current authorisation processes / supervision for management companies under AIFMD/UCITSD applied in a consistent way across Member States? If no, please present these divergences and explain if these divergences created challenges for operating in the single market?

RESPONSE: Select No

The authorisation process and ongoing supervision of UCITS management companies remain areas where further harmonisation would improve consistency, reduce unnecessary regulatory friction, and enhance the effectiveness of the Single Market.

While the UCITSD sets out a harmonised legal framework, in practice, material differences persist among Member States in how authorisation and supervision are conducted. These differences arise both in the formal procedural requirements (e.g. documentation, application formats, data collection) and in the substantive criteria applied by NCAs.

The most acute divergences are observed in:

- Substance requirements, including expectations around the number, roles, and qualifications of local full-time employees (FTEs). Some NCAs impose unwritten thresholds or demand levels of local presence that go beyond the directive and are not justified by risk-based considerations.
- Governance and operational expectations, such as the location and seniority of decision-makers, which are often judged subjectively and can differ substantially between jurisdictions.

- Supervisory intensity and frequency, with differing expectations on reporting, on-site visits, and compliance testing.

These divergences make it difficult for asset managers to have clarity on what is expected of them and to apply a consistent operating model across jurisdictions; further, they discourage efficient cross-border structuring, increase operational risk and administrative burden, and raise costs. In some cases, the Member State implementation appears to be driven less by investor protection than by Member State preferences to retain local substance or market share.

17) Are you supportive of further harmonising and streamlining authorisation requirements and procedures for management companies to increase simplification and reduce fragmentation in the EU's asset management sector? If yes, how should this be done? Please provide a ranking having regard to the impact of proposed solutions as high, medium or low priority.

RESPONSE: Select Yes.

ICI strongly supports further harmonisation of the requirements and procedures for the authorisation of asset managers across the EU. Inconsistency in how NCAs interpret and apply EU rules remains one of the most persistent barriers to effective market integration in the asset management sector.

While the UCITS framework provides for a harmonised structure at the EU level, the practical implementation of authorisation procedures varies widely, particularly in the interpretation of governance and substance requirements. These divergences result in legal uncertainty, inconsistent market access conditions, and unnecessary administrative and operational burdens especially for firms operating on a cross-border basis.

Areas where harmonisation would be most beneficial include:

- Substance requirements: There is a pressing need for greater clarity and consistency regarding expectations for local staffing (FTEs), the qualifications of key personnel, and the physical presence required for management functions. Some Member States impose unwritten or informal thresholds that go well beyond what is required under EU law, creating de facto barriers to entry.
- Authorisation procedures: Differences in application templates, required documentation, processing timelines, and approval standards make the authorisation process unpredictable and inefficient. Establishing common procedural norms and documentation standards would enhance transparency and planning certainty.
- Regulatory reporting: Asset managers are often required to submit duplicative or inconsistent reports to multiple authorities. Harmonising the format and content of regulatory filings would streamline compliance and support supervisory effectiveness.

Importantly, we believe this harmonisation can be achieved without the need for a single EU-level supervisor. Instead, the Commission should focus on facilitating greater coordination among NCAs, with ESMA playing a central role in promoting supervisory convergence.

We recommend the establishment of a structured NCA coordination mechanism facilitated by ESMA through which NCAs can:

- Exchange supervisory practices and implementation interpretations;
- Identify national gold-plating and assess its impact on cross-border operations;
- Develop common guidance and non-binding standards in support of a consistent authorisation regime.

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.

A more coherent and predictable authorisation process would reduce barriers to entry, improve supervisory consistency, and enable asset managers to serve investors across the EU more efficiently—all while preserving high standards of investor protection.

5.2.2. Authorisation of Investment Funds (UCITS)

18) Is the current authorisation framework for UCITS effective and proportionate?

RESPONSE: Select No

While the UCITS framework has been a cornerstone of investor protection and cross-border fund distribution in the EU, certain elements of the current authorisation process, particularly around share class approvals, are no longer proportionate or effective in light of modern market demands and the operational realities of asset management.

Under the UCITSD, authorisation is required not only at the fund level, but also for each individual share class. Moreover, where a management company wishes to launch a new share class, it must notify the competent authority at least 30 days in advance, even if the class simply mirrors the characteristics of existing ones with only minor variations (e.g. pricing structure, currency denomination, or distribution channel).

This requirement is out of step with the needs of today's fund sponsors and investors, and creates several issues:

- Delays in product availability: The 30-day pre-notification obligation slows time to market considerably. In some jurisdictions, firms receive faster approval for cross-border passporting of an existing UCITS than for adding a new share class to an already authorised fund.
- Revenue and competitiveness impact: These delays can reduce the sponsor's ability to respond to investor demand in a timely manner, particularly in competitive distribution markets or in response to asset allocation shifts.
- Reduced investor responsiveness: Professional and institutional investors frequently require tailored pricing, hedging, or distribution structures via dedicated share classes. The current framework impairs the ability of firms to meet these needs quickly,

disadvantaging both investors and the broader goal of making EU capital markets more dynamic and user-centric.

We recommend revising the UCITSD to allow for immediate registration of new share classes upon submission of complete and compliant documentation to the relevant NCA rather than requiring a one-month advance notification and approval. A post-notification review process, similar to what exists for certain other amendments (e.g. updates to fund prospectuses), could be implemented to preserve regulatory oversight without compromising agility or investor protection.

This reform would reduce administrative friction without weakening supervisory scrutiny; better align the UCITS regime with real-time investor and market needs; enhance the efficiency of the internal market for investment funds; and promote the EU as a jurisdiction that supports both protection and innovation in its asset management framework.

Additionally, this would be a meaningful and targeted improvement to the UCITS authorisation framework, one that directly supports the Commission's broader aims of simplification, competitiveness, and deeper market integration.

20) Do divergent practices arise in the authorisation framework for UCITS across Member States? If yes, please explain these divergences and whether these divergences create challenges for operating in the single market.

RESPONSE: Select Yes

Despite operating under the same EU-wide regulatory framework, the experiences of asset managers in seeking to have a UCITS authorised and distributed in a Member State can vary significantly due to divergent practices and requirements that are imposed by NCAs. These divergent practices, some of which are described below, create a range of frictions and challenges for both asset management firms seeking to enter the UCITS market, as well as firms that seek to authorise UCITS in more than one jurisdiction. A firm may offer UCITS domiciled in multiple jurisdictions for a variety of reasons, including due to the growth of the firm through acquisitions (e.g., a firm with German UCITS acquired another firm with Luxembourgish UCITS) or due to investment strategy (e.g., a firm has MMFs domiciled in Ireland, but other UCITS domiciled in France). Divergent practices in UCITS authorisation create confusion, increase the compliance burden placed on a firm and costs to investors, and decrease the attractiveness of offering UCITS.

- <u>Differing platforms and processes for UCITS registration:</u> The processes and systems/platforms for registering a UCITS in a Member State vary among jurisdictions. For example, some NCAs require the use of a Member State-specific platform (DE, FR, LU), while others require notification of registration by email (IR). Also, Member States have differing requirements regarding the types of files (extensions) that are able to be used for submissions. Navigating a bespoke process in each Member State is burdensome, inefficient, and costly. We recommend that the registration requirements and processes be harmonised. We also recommend that NCAs be required to maintain an up-to-date list of UCITS registrations on their website that is easy to locate and navigate.

- Differences in amount and types of fees: The amount of the registration fee imposed by NCAs for the authorisation of a UCITS (and a UCITS share class) varies among Member States, with significant differences between certain jurisdictions. Further, jurisdictions also differ in the payment process (whether before or after submitting the registration) and in requiring payment of a fee to deregister a fund. Asset managers, and the service providers that support them (e.g., law firms, consultants), must be knowledgeable of these fees (that may change at any time) and the differences in order to make informed decisions (including regarding where to register) and to remain in compliance with regulatory obligations. This takes time, effort, and money.

- Variability in local interpretation of procedural and documentation requirements: In addition to technical and financial divergences, NCAs may apply different standards for document completeness, language requirements, and authorisation sequencing. These variations are particularly problematic when firms wish to register UCITS products or share classes in more than one jurisdiction simultaneously leading to staggered or disrupted launch timelines and investor confusion.

These divergent practices in the UCITS authorisation process directly 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.

21) Are you supportive of further harmonising and streamlining the authorisation framework, such as requirements and procedures, for UCITS to increase simplification and reduce fragmentation in the sector? If yes, how should this be done? Please provide a ranking having regard to the impact of proposed solutions as high, medium and low priority.

RESPONSE: Select Yes

ICI strongly supports further harmonisation and streamlining of the UCITS authorisation framework. A more consistent and coherent approach to authorisation procedures across Member States would help reduce operational barriers, lower compliance costs, and enhance the ability of asset managers to offer products efficiently throughout the Single Market while maintaining robust investor protection.

By aligning functional regulatory requirements, the Commission can drive down barriers to entry and address many of the procedural inefficiencies that currently undermine the effectiveness of the UCITS passport. Asset managers routinely face fragmented authorisation practices across jurisdictions, including differences in documentation, timelines, definitions, data submission formats, and approval procedures for share classes. These inconsistencies create regulatory friction, delay time to market, and discourage firms from expanding UCITS offerings in additional Member States.

At the same time, ICI does not believe that achieving greater harmonisation requires a single EU-level supervisor. Instead, a more pragmatic and effective path lies in strengthening collaboration and coordination among NCAs, with ESMA playing a structured role in facilitating convergence, not replacing national oversight.

We recommend the establishment of a structured NCA coordination mechanism through which NCAs can:

- Exchange supervisory practices and implementation interpretations;
- Identify national gold-plating and assess its impact on cross-border operations;
- Develop common guidance and non-binding standards in support of a consistent authorisation regime.

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.

5.3. EU passport for marketing of investment funds

27) In the context of the EU framework, are the current passporting provisions on marketing sufficiently simple and proportionate to enable the smooth marketing of investment funds in the single market? If no, please explain and suggest areas for improvement.

RESPONSE: Select No

The UCITSD 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. Areas of concern include:

- <u>Multilingual regulatory document requirements:</u> A UCITS sponsor may offer 100-plus funds registered in numerous jurisdictions. This requires preparing shareholder communications in the official language of each host Member State, irrespective of the number of investors in a given jurisdiction or investment amount. Preparing these documents is operationally burdensome and costly. Compounding this challenge is the lack of EU-level guidance on the use of AI-powered translation tools for regulatory documents. Without regulatory clarity, firms remain hesitant to adopt these technologies—even where robust oversight and controls exist. A clear, technology-neutral framework that permits the responsible use of translation engines, coupled with disclosure to investors and a reference to the original-language version, would significantly reduce friction and promote timely, cost-effective disclosure.

- <u>Procedural complexity and lack of harmonisation</u>: Although the UCITSD allows funds to be marketed cross-border via a passporting notification to the host NCA, additional procedural steps often apply at the national level, including pre-approval of updated marketing materials, specific formatting rules, electronic portal usage, and country-specific disclaimers. These non-harmonised procedures result in repetitive filings, interpretive uncertainty, and delays. For example, some NCAs require material updates to be submitted for review or uploaded through proprietary platforms, even if those materials do not constitute marketing communications under EU law. These jurisdiction-specific demands significantly raise compliance costs and reduce the commercial flexibility of fund managers operating across multiple Member States.

As with the UCITSD, the effectiveness of the AIFMD passporting regime is severely hampered by complicated requirements that have a disproportionate, negative impact on efficient cross-border distribution of AIFs. The 36-month pre-marketing blackout period introduced in Article 32(a) of the CBDF Directive is a significant efficiency obstacle. It greatly restricts the ability of AIF managers to pre-market successor funds with similar strategies, forcing many AIFs to stay registered beyond their fundraising period, needlessly incurring expenses. This leads to additional, avoidable expenses for fund investors, such as ongoing supervisory fees and board reporting costs.

Delaying the pre-marketing and subsequent launch of successor funds restricts investors' access to new and evolving strategies, ultimately limiting choice. To address this issue, we strongly urge removal of the 36-month pre-marketing blackout. This would be a major efficiency gain, alleviating unnecessary financial strain on investors and AIF managers. We also recommend the development of a consistent approach to the cancellation of passporting – e.g., by legally clarifying that when a fund is closed to new investors, passporting can be cancelled in all Member States. Should this recommendation not be accepted, we recommend that passporting can be cancelled for closed funds in all Member States where there are no local domiciled investors.

Greater collaboration and coordination among Member States will be essential to alleviating many of the frictions currently impeding the effective passporting across the EU. ESMA is well positioned to play a facilitative role—not to replace national oversight, but to help Member States align on core principles and practical solutions to shared challenges.

We recommend the establishment of a structured NCA coordination mechanism through which NCAs can:

- Exchange supervisory practices and implementation interpretations;
- Identify national gold-plating and assess its impact on cross-border operations;
- Develop common passporting guidance and agree on shared interpretations and reduce inconsistent local requirements for marketing and disclosures

A coordination framework of this kind would support a more coherent and predictable supervisory environment, while preserving the benefits of national expertise and proximity to local markets. It would also promote transparency, operational efficiency, and investor access ensuring that the UCITS passport is effective not only in principle, but in practice. By strengthening coordination in this way, the EU can deliver on the ambitions of the SIU, improving the scalability of investment products, enhancing investor choice, and reinforcing the global competitiveness of the European asset management industry.

28) In the context of the EU framework, are the current passporting provisions on marketing for investment funds applied in a consistent way in domestic legislation by Member States? If divergences exist, please explain, describing the impact and suggested areas for improvement.

RESPONSE: Select No

Complex national requirements, including those described below, have created substantial obstacles to the cross-border distribution of UCITS.

Marketing permissions vary: Marketing is dictated by a Member State's rules. Examples include:

- In Finland, Germany, Hungary, Ireland, and Italy, only locally licensed entities are permitted to market UCITS.
- In Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Liechtenstein, Luxembourg, Portugal, and Spain, unlicensed entities may only provide factual information, but doing so exposes them to legal and regulatory risk.
- In Greece, Iceland, the Netherlands, Norway, and Sweden, unlicensed entities may also provide factual information but are explicitly barred from engaging in active marketing.

This jurisdictional patchwork imposes disproportionate costs and legal complexity, discourages cross-border expansion, and negates the passport's efficiency.

Country-specific rules on marketing content and shareholder disclosures: A passported UCITS must comply with each Member State's rules on marketing and content of shareholder disclosures, making compliance challenging and costly. For example: CNMV requires marketing materials to be uploaded to its own proprietary system, AMF imposes its "ESG Doctrine" on fund names, CONSOB mandates submission of a locally tailored marketing document to CONSOB, and FSMA requires pre-approval of all shareholder communications. These rules are often uncoordinated, opaque, and unrelated to investor protection concerns. They increase the compliance burden and slow down time to market.

A centralised EU-wide reference guide that describes the requirements for marketing and shareholder communications for each Member State could significantly mitigate this challenge. NCAs should also evaluate their requirements with a view toward eliminating those that are either unduly burdensome or not truly necessary.

Inconsistent Translation Requirements for KIDs: Some jurisdictions requiring a firm to provide a translated KID as part of the initial notification pack, while others post-registration, on the assumption that it is available. The lack of a common standard causes confusion and should be rectified.

Different treatment based on type of investors: 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. Such distinctions, which are not based on the fund's structure or risk profile, reduce the consistency and fairness of market access.

IT Systems and Administrative Requirements: The lack of a harmonised technical framework for submission and document handling creates divergence and significant resource commitments.

- Germany's BaFin, Luxembourg's CSSF, and Ireland's CBI each use non-interoperable systems with distinct login procedures and accepted formats.
- Metadata rules, file naming structures, and approval tracking differ between platforms, introducing high operational complexity and risk of non-compliance.

These inconsistencies place a disproportionate burden on asset managers, especially those operating pan-European UCITS platforms, and limit the ability to realise the benefits that the UCITS passport was designed to provide. We recommend that the Commission establish a structured NCA coordination mechanism facilitated by ESMA that would help to:

- Promote alignment of notification processes, investor disclosure practices, and document handling systems;
- Conduct joint reviews of national divergences and gold-plating practices that undermine the passport's utility;
- Issue technical guidance on procedural and technological harmonisation, particularly around IT infrastructure, translation requirements, and investor-type treatment.

In addition, a centralised EU-wide reference guide should be developed by ESMA that clearly catalogues the specificities and requirements for marketing and shareholder communications in each Member State. This would enhance transparency and help identify where certain national requirements diverge without clear justification. As part of this effort, NCAs should be encouraged to evaluate their marketing and disclosure requirements with a view to eliminating those that are unduly burdensome or not demonstrably necessary from an investor protection perspective. Member States should be encouraged to align more closely with common practices or, if warranted, the Commission could consider whether certain elements of Member State discretion should be removed altogether, particularly where it materially disrupts the functioning of the Single Market.

29) In the context of national frameworks, where divergences for passporting (marketing notification regime, review of the marketing documents by the host Member States, IT or additional administrative requirements) exist, please elaborate on them, using practical examples.

Complex national requirements, including those described below, have created substantial obstacles to the cross-border distribution of UCITS.

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30) Are there barriers linked to different national requirements on marketing documents? If yes, please explain the key differences, impact and suggestions for improvement.

RESPONSE: Select Yes

Complex national requirements, including those described below, have created substantial obstacles to the cross-border distribution of UCITS.

<u>Marketing permissions vary:</u> Marketing is dictated by a Member State's rules. Examples include:

- In Finland, Germany, Hungary, Ireland, and Italy, only locally licensed entities are permitted to market UCITS.
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31) Do national frameworks require the appointment of local physical presence in host Member States to access the same rights as domestic UCITS or AIFs (e.g. as regards taxation, simpler administrative procedures)? If yes, please explain impact.

RESPONSE: Select Yes

Although the Cross-Border Distribution of Funds (CBDF) Regulation made some progress in eliminating unnecessary barriers and harmonising fund distribution across the EU, in certain jurisdictions NCAs continue to require a physical presence or the appointment of an agent, creating an obstacle to the efficient cross-border distribution of UCITS.

Local paying agents: Despite the recent revision of the UCITSD (Article 92) of the CBDF Regulation prohibiting host Member States from requiring the appointment of a local paying agent as a condition to marketing a UCITS in the territory, certain member states still require the appointment of such an agent (e.g., Poland, Portugal, Spain, Luxembourg).

Local tax agents: Although EU Member States are no longer permitted to require UCITS to appoint a local tax agent solely for the purpose of fund distribution, this practice continues in certain jurisdictions for two main reasons. First, some Member States have historically added local requirements—such as appointing a "correspondent bank" in Italy or an "agent centralisateur" in France—for tax or operational reasons. While these practices are being phased out, legacy expectations or transitional arrangements still exist in some jurisdictions. Second, local tax laws may still necessitate appointing a tax representative or agent for specific purposes, such as handling withholding tax on distributions to investors or filing tax returns or reports on behalf of the fund.

Preferential Tax Treatment: In certain Member States, the tax treatment of an investment in a UCITS varies based on the investors in the UCITS. For example, Spain imposes what is referred to as "the rule of 500", imposing punitive tax rules based on whether there are more or less than 500 Spanish investors in a UCITS.

Despite the progress made under the CBDF Regulation, barriers linked to physical presence and local representation continue to persist either through explicit requirements (e.g., local tax agents) or de facto expectations tied to administrative convenience or tax efficiency. These requirements: erode the operational effectiveness of the UCITS passport; create inequities between domestic and foreign UCITS; and discourage smaller or newer market entrants from expanding cross-border due to fixed-cost burdens associated with physical presence.

The existence of these barriers across different members states underscores the need for a practical mechanism for aligning national implementation of both the UCITSD and the CBDF Regulation. Otherwise, these barriers will prohibit the SIU from delivering its intended benefits to EU citizens and the broader capital markets.

We strongly recommend that the Commission establish a structured NCA coordination mechanism facilitated by ESMA that would help to address the barriers by (1) undertaking a detailed review of the implementation of UCITSD Article 92 across Member States and (2) monitoring and addressing practices that circumvent the intent of harmonisation through administrative layering or tax-based disincentives.

32) Are there any aspects of the cross-border distribution of funds framework (Directive (EU) 2019/1160 and Regulation (EU) 2019/1156) that have created obstacles to the marketing of investment funds? If yes, please elaborate and explain impact.

RESPONSE: Select Yes

Although the Cross-Border Distribution of Funds (CBDF) Regulation made some progress in eliminating unnecessary barriers and the harmonising fund marketing rules across the EU, in certain jurisdictions NCAs continue to require a physical presence or the appointment of an agent in the host Member State, creating an obstacle to the efficient cross-border distribution of UCITS.

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5.5. Group operations - Eliminating inefficiencies and duplication

44) In your view, what are the key obstacles to consolidating functions across entities within the same asset management group, and to reducing duplication and operational inefficiencies across these entities? Please provide an answer on the following topics

Although it sounds attractive as a concept, the ability for firms to consolidate functions across entities within the same asset management group is hindered by a range of factors, including (1) inconsistent implementation of financial services-related rules among Member States, (2) Member State national rules regarding employment law, taxes and fees, and in other areas not specifically directed at asset managers, and (3) a firm's specific business model and unique characteristics (including growth through acquisition).

Inconsistent implementation of financial services laws: Despite significant progress in regulatory harmonisation related to asset managers, NCAs continue to apply rules inconsistently. These rules differ most acutely with respect to licensing and substance requirements for asset managers. For example, although UCITS are able to be passported throughout the EU, certain Member States require a firm to have a MiFID or local license in that Member State in order to market the UCITS. Additionally, Member States have interpreted differently the requirement for firms to have adequate substance and not be a "letter-box" entity, with certain Member States requiring a substantial physical presence regardless of the size of the business in that Member State and the firm's overall resources. These requirements and interpretations prevent consolidation and hamper the efficient use of resources. Because they discourage cross-border activities, they ultimately restrict choice for businesses and investors.

Other laws and requirements: Member State laws and requirements that are not directly targeted at asset managers play an important role in dictating where a firm decides to establish, how it grows its business, and how it operates. National rules on taxes and operational fees differ. Moving operations from one jurisdiction to another, or consolidating multiple operations in one jurisdiction may have financial consequences that outweigh the efficiency gained through consolidation. Additionally, Member State specific labor laws may impact not only a jurisdiction's attractiveness but also the ability to consolidate (e.g., address redundancies), particularly if they impose onerous burdens or restrictions on employers (i.e., very difficult to terminate an employee).

Varied business models and unique characteristics: Firms that perform asset management activities, whether they are asset managers that solely offer UCITS, or whether they offer a range of products as part of a global financial services conglomerate, structure their operations – where they are domiciled and what functions are performed in a given jurisdiction – in a variety of ways based on their unique characteristics and various drivers. Although the drivers may be similar for firms (licensing and substance requirements, tax considerations and employment laws, etc.), how firms evaluate them and the importance given to each factor varies. There is, therefore, no one-size-fits-all approach, and a firm's desire and ability to consolidate functions is highly variable.

45) Do you consider that there is scope to streamline authorisation and supervision of asset managers operating in groups by reducing duplication, lowering operational costs, and save resources across entities within a group?

RESPONSE: Select No

While the idea of streamlining authorisation and supervision within asset management groups appears attractive, structural supervision at the group level is not a workable or proportionate solution for the asset management industry. Instead, the better path lies in enhanced coordination among NCAs to reduce inconsistencies/barriers and enable more efficient cross-border operations.

Asset managers operate under highly diverse business models, and there is no uniform structure across the industry. Some firms manage a single UCITS platform, while others are part of large, global financial conglomerates offering a mix of retail, institutional, and alternative products. Operational decisions (i.e., where to locate key functions) are influenced by various factors, including regulatory licensing requirements, investor base, staffing considerations, and historical footprint.

As a result, consolidating functions across group entities is not always feasible or even desirable. Even where firms wish to achieve efficiencies, divergent national laws (e.g., tax or labor law) and firm-specific risk models make any one-size-fits-all approach impractical. The desire and ability to consolidate varies significantly across groups, and group-level supervision would not accommodate this diversity.

Supervising asset managers at the group level (analogous to consolidated supervision in banking) is not well-suited to the operational realities of the fund management sector. Asset managers are not prudentially regulated on a consolidated basis and do not typically centralise risk management across their European operations in the same way as banks.

Moreover, the primary barriers to intra-group efficiency, such as national tax laws, employment regulations, and inconsistent interpretations of what constitutes a “letter box entity,” would not be resolved by a supervisory shift. On the contrary, introducing group-level oversight could add new complexity, duplicate existing supervision, and introduce jurisdictional conflict between national and EU-level authorities.

Given the structural and legal barriers to consolidating functions across asset management groups, a more practical path forward lies in enhancing coordination among NCAs to align supervisory approaches. Rather than pursuing group-level supervision, policymakers should focus on reducing fragmentation through targeted convergence.

Improved consistency in supervisory practices can significantly reduce duplication, increase efficiency, and support cross-border scalability. To achieve this, the Commission should prioritise the development of a structured NCA coordination mechanism that:

- Promotes dialogue among NCAs on key issues such as authorisation, passporting, substance requirements, and regulatory reporting; and
- Minimises national gold-plating that undermines the UCITS framework.

ESMA should play a central facilitative role, helping define incentives and accountability measures to drive convergence and supporting Member States.

Because consolidation of group functions is often constrained by employment law, tax treatment, and varied business models, coordination—not centralisation—is the most viable solution to support operational efficiency while respecting national responsibilities and market diversity.

46) Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to: - legislative changes (specifying which changes are being suggested) - supervisory convergence (specifying

which tools are being suggested) - other Please provide data on the potential costs and benefits of the suggested solutions with a breakdown for different stakeholders.

Because of the various obstacles to the consolidation of functions, other avenues of mitigating differences in order to enhance efficiency and scale operations should be explored. A viable solution lies in developing effective mechanisms and incentives that result in national authorities aligning their supervisory approaches, promoting greater consistency without undermining national responsibilities.

Improved coordination, collaboration, and communication among NCAs will be essential to achieving the goals of the SIU. The Commission should focus on promoting an effective coordination mechanism that will foster productive dialogues among supervisors, with clear objectives to agree upon common approaches in furtherance of a harmonised rulebook, including regarding definitions, interpretations, authorisation, and data collection. In particular, there is a critical need for harmonisation of substance requirements for the proficiency and skillset of required local FTEs, local governance requirements, and duplication of regulatory reporting.

ESMA could play a key role in facilitating this mechanism, promoting dialogue among supervisors, and helping to define incentives and accountability measures to drive convergence. A structured forum for Member States committed to eliminating divergence and reducing gold-plating would provide the necessary foundation for meaningful progress toward a more harmonised and efficient Single Market.

5.6. Other barriers to cross-border operations

50) Have you encountered other specific barriers than those discussed above when marketing and providing asset management functions across Member States? - EU financial regulation other than UCITSD/AIFMD - National financial regulation - Supervisory administrative practices - Corporate law - Tax law - Other If yes, how have these barriers impacted your operations? Where barriers have been identified, how could they be best addressed? Please provide a ranking having regard to the impact of proposed solutions as high, medium or low priority

RESPONSE: Select YES for all

Despite significant progress in regulatory harmonisation through EU level policymaking, NCAs continue to apply rules inconsistently, particularly in areas related to licensing and substance requirements for asset managers. These divergences can reflect protectionist tendencies that discourage cross-border activities, increase compliance burdens, and restrict choice for businesses and investors. Inconsistent application undermines confidence among market participants and trust between national authorities. In certain Member States, the national regulator will require that the firm seeking authorisation (e.g., as a MiFID firm or AIFM) be able to stand on its own and be a fully independent asset manager in the jurisdiction regardless of the nature, scale or complexity of the global organisation. The application will need to identify the skillset and proficiency of the FTE (including requiring a local compliance officer, independent risk function, and independent board comprised of native speaking members), the local systems and technology that will be purchased and utilised, the composition and makeup of the governance, and the management and systems in place for reporting.

In contrast, other Member States permit the applicant to rely on outsourcing to satisfy certain substance and infrastructure requirements, including with respect to human and technical resources, in applying for a license. Such outsourcing may be intragroup or through third parties, but results in operational staff performing functions for the ManCo or MiFID firm outside of such companies and potentially outside of the EU. This outsourcing can increase efficiency and ensure access to expertise, taking into account the global nature of financial markets and allow global asset managers to consistently across such a manager's business.

Improved coordination, collaboration, and communication among NCAs will be essential to achieving the goals of the SIU. The Commission should focus on promoting an effective coordination mechanism that will foster productive dialogues among supervisors, with clear objectives to agree upon common approaches in furtherance of a harmonised rulebook, including regarding definitions, interpretations, authorisation, and data collection. In particular, there is critical need for harmonisation of substance requirements for the proficiency and skillset of required local FTEs, local governance requirements, and duplication of regulatory reporting.

Key examples:

- Board appointments and time commitment could be harmonised across firms and funds.
- NCAs may often use different data collection templates, resulting in inconsistencies in what data is collected and how it is calculated. NCAs should agree regulatory reporting templates to eliminate imbalances and pressure on data sharing across NCAs.
- Some countries require UCITS and AIF ManCos to get a MiFID license subjecting them to MiFID requirements, in addition to UCITSD and AIFMD; this also includes onerous transaction reporting requirements. There should be a harmonised, EU-wide approach for UCITS and AIFs, eliminating requirements for unnecessary MiFID licensing.
- National central banks take divergent approaches to statistical reporting on investment funds and MMFs, which should be harmonised to allow investment firms to develop standardised reporting processes that are jurisdiction-agnostic.
- Different regulators charge different fees (with significant discrepancies between jurisdictions). Some regulators do not allow registration without fees being paid in advance, others invoice post registration.
- Translated PRIIPs KIDs are required for some regions when registering to market to MiFID non-professionals and must be included in the notification pack. Other countries do not require them as part of the notification pack and will allow registration on the assumption that they are available without specifically requesting them.
- Germany charges a fee for deregistration, other countries do not. This can result in situations in which accounts may have been closed if a fund has liquidated and not deregistered for some time.

The complexities of varied business models, regulatory obligations, and operational structures across asset managers, as well as the drivers for selecting these structures (e.g. tax and labor regimes), must be balanced against the continuing responsibility of national authorities for investor protection within their jurisdictions. Transferring this authority to a central EU supervisor is neither feasible nor desirable. Instead, the solution lies in developing effective mechanisms and incentives that result in national authorities aligning their supervisory approaches, promoting greater consistency without undermining national responsibilities.

5.7. Barriers for investments in funds

51) Have you encountered any specific issues or barriers to accessing investments in EU funds, directly, or a cross-border basis? If yes, what is this due to? - The EU framework - Restrictions or differential treatment based on the national framework where a fund is domiciled - Supervisory administrative practices - Corporate law - Tax law - Other (please explain) How have these barriers impacted your investment decisions in funds specifically?

RESPONSE: Select YES to all

51.2) Where barriers have been identified, how could they be best addressed? Please provide a ranking having regard to the impact of proposed solutions as high, medium or low priority.

RESPONSE:

ICI strongly supports the European Commission's objective of strengthening the SIU and fostering greater retail participation in the capital markets. A central focus of the SIU should remain on broadening access to long-term investing opportunities for individuals across Europe, bolstering the region's economic resilience and global competitiveness.

Accessing investment funds remains a challenge for retail investors across the EU, both at the national and cross-border levels, due to a combination of structural and regulatory barriers. While European financial market participants have successfully established a robust range of investment products designed for retail investors, notably UCITS, the traditional distribution models serving as the primary means of accessing these products contain numerous obstacles. Many consumers face frictions in navigating these models, often due to complex requirements, limited availability of investment advice, and concerns about fees and accessibility. Set forth below are some specific examples:

<u>National Distribution Restrictions and Gold-Plating:</u> Although UCITS benefit from an EU-wide passport for marketing, Member States impose divergent national requirements on who can distribute and promote these products, especially to retail investors. For example, in several jurisdictions, marketing of UCITS by a non-local entity is prohibited or heavily restricted unless the distributor holds a local MiFID license or is registered with the host NCA. These requirements apply even when the UCITS has been properly notified and registered for sale, effectively nullifying the passport in practice. This divergence particularly affects digital platforms and neo-brokers that may operate cross-border without a physical presence in every Member State, limiting retail investor access to the full breadth of EU-authorised funds.

<u>Lack of Consistent Digital Access:</u> Investors, especially younger and mobile-first users, expect to access investment products through digital channels. However, there is no consistent digital distribution framework across the EU. National regulations governing online promotion, KID delivery, and investor onboarding vary significantly. As a result, EU-wide fund platforms remain limited in scope, and access to UCITS across borders is inconsistent. Additionally, investors in some Member States may only have access to domestically registered funds, or face user experience frictions when trying to invest in funds registered elsewhere. This not only stifles retail investor participation but also undermines the broader goals of the SIU.

Language and Disclosure Inconsistencies: While EU rules require disclosure documents such as the PRIIPs KID to be made available in the official language of the host Member State, this requirement, combined with inconsistent translation enforcement and lack of guidance on digital tools (e.g., AI translations), can hinder investor access. Additionally, there is no EU-wide standard for layered, digital-friendly disclosure, meaning that the way investors receive and interpret fund information still varies significantly. This is particularly problematic for retail investors, who are often overwhelmed by technical or inconsistently formatted disclosures.

Tax Barriers and Administrative Frictions: National tax regimes remain complex and inconsistent, with varying treatment of cross-border fund holdings. In some cases investors are required to file local tax declarations or may be subject to withholding taxes or punitive rates if certain criteria (e.g., minimum investor thresholds) are not met, while in others tax reporting from cross-border fund investments is often incomplete or incompatible with local taxpayer systems. These tax-related frictions discourage retail investors from investing across borders, even where product availability exists.

Fragmented Investor Protection and Complaint Handling: Investors may also experience difficulty accessing redress mechanisms for cross-border fund purchases. Although the FIN-NET network provides some coordination, there is no harmonised or centralised EU mechanism for retail investor dispute resolution, particularly when the fund is domiciled in one Member State, distributed by a platform in another, and sold to an investor in a third. This creates legal uncertainty and reduces confidence in cross-border fund investing, especially for less experienced investors.

51.3) Where barriers have been identified, please explain how they could be best addressed and provide a ranking having regard to the impact of proposed solutions as high, medium or low priority:

RESPONSE:

ICI strongly supports the European Commission's objective of strengthening the SIU and fostering greater retail participation in the capital markets. To achieve these objectives, and while acknowledging that the SIU is a long-term project and will consist of a series of actions, ICI strongly recommends the creation of a blueprint for a European Savings and Investment Account (ESIA).

Removing regulatory barriers will ensure the usability and ability to scale up the ESIA. ICI is committed to collaborating with the European Commission to support a regulatory ecosystem where financial markets can thrive, thereby contributing to both individual and broader economic growth in Europe.

Critical to the success of any investment account, whether developed at the EU or Member State level, is the framework design. The following features are essential:

1. Empowering Citizens: The SIU must prioritise the financial well-being of European households, fostering long-term wealth creation through investing in capital markets.

2. Building on Success: Leverage proven global models (Sweden's ISK, Japan's NISA, US 401(k) and IRA, and UK ISA) and trusted EU investment products (e.g., UCITS).

3. Choice and Flexibility: Facilitate a broad range of investment options within the account, ensuring freedom of choice to meet individual financial goals without geographic or policy-driven restrictions.

4. Digital Accessibility: Ensure a seamless digital experience for account set-up and management, supported by provider choice, simplified advice and comparison tools, cross-border portability, and investor education and guidance.

5. Simple Tax Structure and Clear Incentives: Agree on a simple, efficient, and accessible tax structure for the account that minimizes administrative burdens for account holders.

6. Workplace Integration: Consider the introduction of automatic enrollment through employers, leveraging payroll deductions to build a culture of investing and habits that support financial well-being and the uptake of the account.

7. Long-Term Focus: Promote long-term investing with programs and incentives for the account that discourage short-term withdrawals.

8. Regulatory Ecosystem to Support Economic Growth: Eliminate regulatory barriers and foster a regulatory ecosystem where financial markets can thrive, thereby contributing to both individual and broader economic growth in Europe.

5.8. Portfolio requirements and investment limits of investment funds

5.8.1. Investment limits – UCITS

55) Do you believe that Article 56(2)(b) of the UCITS Directive should be amended to allow UCITS to invest more than 10% in an issue of a single securitisation? If yes, how does the rationale of the 10% issuer limit differ for securitisations compared to corporate bonds issued by a single issuer? If yes, what could be an acceptable limit, and why?

RESPONSE: Select YES

ICI strongly supports the Commission's efforts to strengthen the securitisation market to support the creation of deeper capital markets, develop a successful SIU and increase the EU's competitiveness. Advancing the securitisation market requires more than isolated measures. No single action will meaningfully shift the dial; rather, a coordinated and holistic approach to identifying and addressing regulatory barriers is essential to unlocking the market's full potential.

The current UCITS framework is internationally regarded for its sounds risk management standards. A thoughtful and robust regulatory framework has facilitated the growth of UCITS into a premier global investment vehicle, offered to retail and institutional investors throughout not only the EU, but dozens of jurisdictions around the world. The strong reputation of UCITS is built on the product being a diversified, tax efficient, liquid, and transparent collective investment vehicle. This has resulted in substantial growth of assets under management in UCITS over the past 25 years.

A number of ICI members support adjusting or eliminating the 10% limit, given its original rationale does not reflect the nature of securitisations. From a policy standpoint, the 10% acquisition limit for debt securities issued by a single entity was not conceived with securitisations in view, as it predates the first European securitisation by nearly two years. Introduced in the mid-1980s, the rule was originally intended to prevent UCITS from gaining undue influence or control over individual corporate issuers.

Securitisation vehicles function as dedicated, pass-through entities. They typically issue securities once and lack any ongoing operational strategy that could be influenced by investors. As such, concerns around investor control or influence, central to the original intent of the rule, are not applicable in the context of securitisations. It is therefore clear that the 10% threshold was designed with corporate issuers in mind and is misaligned with the characteristics of securitisation structures.

At the same time, some ICI members express concern that amending the application of the threshold in Article 56(2)(b) of the UCITSD could lead to a broader reopening of the Directive, which would likely be protracted and may introduce unintended consequences. To avoid reopening the UCITSD, the Commission could explore alternatives, such as a targeted amendment to Article 56 via the EU Securitisation Regulation review. Another option could be to clarify that the term 'single issuing body' in Article 56 does not include securitisations, thus excluding them from the acquisition limit.

57) Does the 10% issuer limit affect the liquidity management of funds?

RESPONSE: DON'T KNOW

While the 10% issuer limit may present some practical challenges in certain cases with respect to securitisations, it does not fundamentally impact the liquidity management of UCITS. These rules are designed to ensure appropriate diversification and serve as key tools for liquidity management. Importantly, the 10% issuer limit in Article 56(2)(b) was introduced to prevent UCITS from gaining significant influence over the management of issuing entities, not to regulate liquidity. It has no intended or actual role in liquidity management. Fund managers must comply with other UCITS rules specifically aimed at ensuring effective liquidity management. These rules provide sufficient safeguards and mechanisms to manage liquidity efficiently, regardless of the 10% issuer limit.

Some ICI members note that the 10% issuer limit under Article 56(2)(b) can complicate liquidity management for UCITS funds investing in securitisations. The rule restricts how much a fund can invest in any one securitisation, even if that investment is relatively low-risk and backed by a diversified pool of assets.

Because securitisations tend to be smaller and fewer in number compared to corporate bonds, larger UCITS funds may find it difficult to acquire meaningful positions. This can lead managers to spread investments across many smaller holdings, which may reduce efficiency and complicate liquidity management. The limit may restrict managers' ability to adjust portfolios quickly in response to investor inflows or outflows, potentially forcing them to seek alternative investments.

Overall, the consensus view among ICI members is that the existing regulatory framework provides robust tools to ensure liquidity is managed effectively. UCITS operate under a comprehensive regulatory framework that includes concentration and diversification rules which provide sufficient safeguards and mechanisms to manage liquidity efficiently.

6. Supervision

6.2. Specific questions on supervisory arrangements for different sectors

4) Do you have ideas how EU-level supervision of financial markets could be structured (for example the whole or part of the sector should be supervised at EU level, supervisory decisions could be taken at EU level or national, etc.)? What broad changes would that involve in terms of - supervisory architecture and supervisors' responsibilities, - supervisors' approach to exercise their mandates and processes, - improved cooperation among supervisors?

By harmonising functional regulatory requirements, the Commission can foster deeper and more integrated capital markets and drive down barriers to entry. For the asset management industry, harmonised supervision does not require a single supervisor and can be achieved through convergence of national supervisory practices and the elimination of gold plating that creates barriers to entry.

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

Despite significant progress in regulatory harmonisation, NCAs continue to apply rules inconsistently, particularly in areas related to licensing and substance requirements. These divergences can reflect protectionist tendencies that discourage cross-border activities, increase compliance burdens, and restrict choice for businesses and investors. Inconsistent application undermines confidence among market participants and trust between NCAs. Given the varied business models, regulatory obligations, and operational structures across asset managers, identifying practical and effective solutions requires a tailored approach. Each asset manager is unique, including with respect to the nature, scale and complexity of its business and where it operates. The ownership structure of an asset manager (e.g., employee owned, subsidiary of bank holding company, etc.), its regulatory status, its target investor base, as well as the products and services that are offered (e.g., UCITS, portfolio management services, alternative investment funds) may dictate one structure over another. Labor and tax considerations also play a critical role in shaping operating models. This complexity must be balanced against the continuing responsibility of NCAs for investor protection within their jurisdictions.

Creating a single EU-level supervisor for asset management 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. Instead, we see greater value in enhancing collaboration and coordination among NCAs, with ESMA acting as a structured facilitator of convergence, rather than a replacement for national supervision.

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 hinder the functioning of the internal market.
- Development of a framework for evaluating the EU-wide impact of national divergences, with input from NCAs, ESMA, and market participants. This would provide an empirical basis for assessing whether bespoke implementation approaches improve investor protection or create unnecessary frictions.
- Establishing a structured NCA coordination mechanism facilitated by ESMA, such as a supervisory college, coordination council, or other NCA-peer exchange platform, that serves 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 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. Emphasis should be placed on areas where fragmentation most acutely impacts market functioning, such as interpretations of key regulatory concepts; authorisation procedures and documentation; and data collection and 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, it would allow for gradual and pragmatic harmonisation through cooperation and transparency, rather than requiring the establishment of a central supervisory authority, which may not be politically or operationally viable.

These targeted measures offer a more pragmatic and effective path toward simplifying compliance, reducing regulatory divergence, and strengthening the asset management industry in the EU.

6.6. Questions on the supervision of funds and asset managers

6.6.1. Identifying costs related to current supervisory framework and benefits of more integrated EU supervision

46) How would you rate the convergence of supervisory practices across Member States in the area of the supervision of funds and asset managers? Please rate from 1 to 5 (1 very convergent, 5 very divergent) Please provide examples of divergent outcomes of supervisory practices for funds and asset managers in different Member States.

RESPONSE: Select 4

Despite significant progress in regulatory harmonisation through EU level policymaking, national authorities continue to apply rules inconsistently, particularly in areas related to licensing and substance requirements for asset managers. These divergences can reflect protectionist tendencies that discourage cross-border activities, increase compliance burdens, and restrict choice for businesses and investors. Inconsistent application undermines confidence among market participants and trust between national authorities. In certain Member States, the national regulator will require that the firm seeking authorisation (e.g., as a MiFID firm or AIFM) be able to stand on its own and be a fully independent asset manager in the jurisdiction regardless of the nature, scale or complexity of the global organisation. The application will need to identify the skillset and proficiency of the FTE (including requiring a local compliance officer, independent risk function, and independent board comprised of native speaking members), the local systems and technology that will be purchased and utilised, the composition and makeup of the governance, and the management and systems in place for reporting.

In contrast, other Member States permit the applicant to rely on outsourcing to satisfy certain substance and infrastructure requirements, including with respect to human and technical resources, in applying for a license. Such outsourcing may be intragroup or through third parties, but results in operational staff performing functions for the ManCo or MiFID firm outside of such companies and potentially outside of the EU. This outsourcing can increase efficiency and ensure access to expertise, taking into account the global nature of financial markets and allow global asset managers to consistently across such a manager's business.

Improved coordination, collaboration, and communication among NCAs will be essential to achieving the goals of the SIU. The Commission should focus on promoting an effective coordination mechanism that will foster productive dialogues among supervisors, with clear objectives to agree upon common approaches in furtherance of a harmonised rulebook, including regarding definitions, interpretations, authorisation, and data collection. In particular, there is critical need for harmonisation of substance requirements for the proficiency and skillset of required local FTEs, local governance requirements, and duplication of regulatory reporting.

Key examples:

- Board appointments and time commitment could be harmonised across firms and funds.
- NCAs may often use different data collection templates, resulting in inconsistencies in what data is collected and how it is calculated. NCAs should agree regulatory reporting templates to eliminate imbalances and pressure on data sharing across NCAs.
- Some countries require UCITS and AIF ManCos to get a MiFID license subjecting them to MiFID requirements, in addition to UCITSD and AIFMD; this also includes onerous transaction reporting requirements. There should be a harmonised, EU-wide approach for UCITS and AIFs, eliminating requirements for unnecessary MiFID licenses.
- National central banks take divergent approaches to statistical reporting on investment funds and MMFs, which should be harmonised to allow investment firms to develop standardised reporting processes that are jurisdiction-agnostic.
- Different regulators charge different fees (with significant discrepancies between jurisdictions). Some regulators do not allow registration without fees being paid in advance, others invoice post registration.
- Translated PRIIPs KIDs are required for some regions when registering to market to MiFID non-professionals and must be included in the notification pack. Other countries do not require them as part of the notification pack and will allow registration on the assumption that they are available without specifically requesting them.

- Germany charges a fee for deregistration, other countries do not. This can result in situations in which accounts may have been closed if a fund has liquidated and not deregistered for some time.

The complexities of varied business models, regulatory obligations, and operational structures across asset managers, as well as the drivers for selecting these structures (e.g. tax and labor regimes), must be balanced against the continuing responsibility of national authorities for investor protection within their jurisdictions. Transferring this authority to a central EU supervisor is neither feasible nor desirable. Instead, the solution lies in developing effective mechanisms and incentives that result in national authorities aligning their supervisory approaches, promoting greater consistency without undermining national responsibilities.

49) Do you consider that more centralised EU supervision could also produce negative side-effects?

RESPONSE: Select YES

ICI strongly supports the European Commission's efforts to foster deeper and more integrated capital markets, ultimately benefiting European citizens by providing opportunities for higher returns on savings and greater long-term financial security. By harmonising functional regulatory requirements, the Commission can drive down barriers to entry. For the asset management industry, we believe that harmonised supervision does not require a single supervisor and can in principle be achieved through convergence of national supervisory practices and the elimination of national practices or gold plating that creates barriers to entry.

Given the varied business models, regulatory obligations, and operational structures across asset managers, as well as the drivers for selecting these structures, identifying practical and effective solutions requires a tailored and thoughtful approach. There is no one-size-fits-all answer. Each asset manager is unique, including with respect to the nature, scale and complexity of its business. Asset managers may operate in only one geographic location or multiple Members States. The ownership structure of an asset manager (e.g., employee owned, insurance company subsidiary, subsidiary of bank holding company etc.), its regulatory status, its target investor base as well as the products and services that are offered (e.g., UCITS, portfolio management services, alternative investment funds) may dictate one cross-border asset structure over another. Labor and tax considerations also play a critical role in shaping operating models.

This complexity must be balanced against the continuing responsibility of national authorities for investor protection within their jurisdictions. Transferring this authority to a central EU supervisor is neither feasible nor desirable. Instead, the solution lies in developing effective mechanisms and incentives that result in national authorities aligning their supervisory approaches, promoting greater consistency without undermining national responsibilities.

Attempting to centralise supervisory authority at the EU level without thoroughly considering the complexities of the asset management industry could indeed result in negative effects, undermining the objectives of the SIU. Centralised EU supervision of the asset management industry could lead to additional frictions by: (i) duplicating and potentially creating inconsistencies between EU and national competencies and supervisory practices; (ii) undermining long standing practices in the asset management industry that have been instrumental to the success of the UCITS brand; (iii) creating a 'double burden' on firms, subjecting them to both EU and national-level supervision (e.g. as illustrated by the banking union, which has created significant complexity); and (iv) deteriorating the close, on-the-ground, relationships between asset managers and national supervisors who fully understand their business models.

6.6.2. How could more integrated EU supervision function?

51) Please indicate to which extent you support the following possible models of more integrated EU supervision:

a) **A single EU supervisor, responsible for the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision for asset managers with limited or no cross-border activity, UCITS funds and AIFs;**

b) **A supervisory college, chaired by an EU supervisor, having the main responsibility for, and taking joint decisions on, the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision of asset managers with limited or no cross-border activity, UCITS funds and AIFs.**

c) **A supervisory college, chaired by a "lead NCA", having the main responsibility for, and taking joint decisions on, the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision of asset managers with limited or no crossborder activity, UCITS funds and AIFs**

d) **A supervisory coordination college comprised of all relevant national competent authorities and ESMA while supervisory responsibilities remain unchanged.**

e) **Other set-up (please explain)**

For each model, options to choose from: 1 (strongly support), 2 (rather support), 3 (neutral), 4 (rather not support), 5 (strongly not support), 6 (no opinion) Please explain your answer providing, where possible, quantitative evidence and examples, including on potential costs and benefits, taking into account experience with voluntary colleges established so far. If you replied 'Other', please indicate what was intended. Please identify the areas where EU-level supervision would provide the most benefits:

(a): RESPONSE: Select 5 (Strongly not support)

ICI does not support this model (Model A) as currently framed. While the intention to tailor supervision based on cross-border activity is understandable, a bifurcated system dividing responsibilities between a single EU supervisor and NCAs would likely create additional complexity, increase regulatory fragmentation, and fail to deliver the intended simplification. Areas of concern with Model A include:

- Splitting supervisory authority based on activity scope is complex and would lead to the following issues, which would add operational burden and legal risk:

    - Overlapping or unclear responsibilities, especially for firms that evolve over time or operate across both retail and institutional channels;
    - Potential duplication of reporting and governance obligations, where group-level supervision may still be exercised by both EU and national supervisors;
    - Coordination gaps when firms transition between national and EU-level supervision.
- This model depends on a clear and objective definition of what constitutes "significant" cross-border activity. However, in practice:
    - Asset managers often operate across a spectrum of cross-border engagement, including management delegation, fund distribution, investment servicing, and client onboarding.
    - The distinction between "significant" and "limited" activity is inherently subjective and could result in legal uncertainty or regulatory disputes.
- This model will disrupt established supervisory relationships:
    - NCAs have a detailed, on-the-ground understanding of a firm's structure, personnel, and market context. This proximity enables better risk assessment and more pragmatic supervisory oversight.
    - Reassigning firms with cross-border activity to a central EU supervisor would interrupt these relationships, reduce responsiveness, and diminish supervisory quality—especially in the absence of robust local engagement mechanisms.

While the objective of improving consistency and efficiency in supervising cross-border asset managers is shared, Model A introduces more complexity than it resolves. It would create artificial distinctions, coordination difficulties, and transition risks for firms and regulators alike. A more effective solution lies in strengthening collaboration, standardisation, and information sharing among NCAs, under ESMA's structured guidance—not in dividing the supervisory landscape.

(b) RESPONSE: Select 5 (Strongly not support)

ICI does not support this model (Model B) in its current formulation, as it would present several conceptual and practical challenges. While we appreciate the objective of improving supervisory convergence and coordination for asset managers with significant cross-border activity, this approach, like the one outlined in Model A, risks creating a bifurcated, overly complex system without delivering greater clarity or efficiency.

Model B raises significant concerns:

- It is unclear what it means in practice for an EU supervisor such as ESMA to have "main responsibility" while decisions are made jointly. This may lead to blurred lines of authority and diluted accountability. In effect, it creates a system where many actors are involved, but no one is clearly responsible, which is problematic for both firms and regulators.
- Too many decision-makers: a supervisory college composed of multiple NCAs, chaired by an EU-level body could result in slow decision-making, inconsistent expectations, or governance gridlock, especially in cases of disagreement.
- It is uncertain how this supervisory structure would interact with existing NCA authority and mandates under UCITS, which place responsibility for supervision

squarely with NCAs. Without clear delineation of powers and procedures, the risk of duplication or regulatory contradiction is significant.

Model B would not provide firms with the predictable, coherent supervisory relationships they need to operate effectively across borders. Fragmentation of oversight—particularly in an industry as operationally diverse as asset management—could ultimately deter market participation rather than encourage it.

While ICI supports enhanced cooperation and supervisory convergence, especially for cross-border asset management firms, Model B lacks the clarity, efficiency, and accountability necessary to function effectively. Instead, we recommend strengthening structured coordination among NCAs, with ESMA serving in a facilitative (not decision-making) role, to promote consistent application of rules while preserving proximity, expertise, and clear lines of supervisory responsibility.

(c) RESPONSE: Select 4 (rather not support)

ICI members regard this model (Model C) as more pragmatic and workable than Models A and B, but unlikely to have many positive impacts. For a Model C to meaningfully benefit EU capital markets, several critical issues, particularly those related to legal clarity, governance, and accountability, must be carefully addressed.

Model C has some potential to serve as a coordination mechanism, leveraging the local expertise and market familiarity of NCAs while providing a platform for consistent supervisory dialogue across borders. If properly designed and implemented, it could enhance supervisory coherence for firms with cross-border activity. Key conditions:

- Clear roles and responsibilities defined between the lead NCA, participating NCAs, and any supporting role played by ESMA. The lead must have a clearly mandated authority, not just procedural responsibility, while other NCAs must understand their own input and accountability.
- The "main responsibility" of the lead NCA must be aligned with existing legal frameworks, including under the UCITSD, to avoid duplicative oversight or procedural uncertainty. Joint decisions must be structured to avoid deadlock and ensure timely outcomes.
- The trigger for establishing a college, i.e. what constitutes "significant cross-border activity", must be defined objectively using measurable criteria (e.g., number of jurisdictions of distribution, volume of cross-border AUM, etc.).

Advantages to Model C as compared to Models A and B:

- Builds on the existing home-host supervisory model that is already embedded in EU financial legislation;
- Maintains proximity and familiarity between NCAs and firms while promoting structured engagement with other NCAs with their own legal authority;
- Avoids the complexity of introducing a centralised EU supervisory authority (as in Model A) or giving joint decision-making powers to a committee chaired by an EU-level supervisor (as in Model B), where accountability becomes diffuse.

- Promotes regular dialogue among NCAs in a more operational and familiar structure that will facilitate and incentivise greater collaboration and coordination across Members States.

While this model may be more workable than others, there remain significant practical and legal challenges, particularly around defining the "lead NCA" and establishing clear responsibilities. There is no universally accepted method for assigning lead authority over a cross-border asset management group. Options could include:

- The NCA where the management company is domiciled;
- The NCA where the majority of the funds are domiciled;
- The jurisdiction with the largest cross-border distribution footprint;
- Or even some composite test involving assets under management, number of investors, or fund registrations.

Each option has trade-offs:

- Using the domicile of the ManCo may not reflect where the bulk of the business risk is concentrated, or be straightforward where the asset manager has multiple ManCos in different Member States.
- Using fund domicile may conflict with where core operations and oversight functions are located.
- A distribution-based test may introduce volatility if distribution patterns change year to year.

Without clear and objective criteria, Model C could result in jurisdictional disputes or frequent shifts in supervisory responsibility, undermining legal certainty and stability for firms and regulators. It would be critical that Model C not introduce parallel or duplicative oversight with national processes. Firms should not be subject to conflicting information requests, procedural requirements, or supervisory expectations from both the college and individual NCAs. With respect to decisions-making, a supervisory college that makes joint decisions may still pose governance risks, especially in situations where NCAs disagree. Clear conflict resolution procedures would be essential to prevent gridlock and ensure supervisory continuity.

ICI is open to further exploring Model C as a proportionate approach to cross-border supervision. If well-defined, it could improve supervisory coordination without centralising oversight or undermining legal clarity. However, any such structure must include clear mandates, defined triggers, and safeguards to ensure efficiency, accountability, and investor protection. There would need to be flexibility for supervisors, potentially rotating the lead role depending on various factors.

Model C may be integrated into an initiative that provides effective mechanisms and incentives to improve NCA coordination. For example, a combination of the feasible and beneficial aspects of Models C and D could be a constructive path forward that preserves the strengths of the existing framework—clear legal mandates, local supervisory proximity, and institutional accountability—without duplicating responsibilities or centralising oversight.

(d) RESPONSE: Select 3 (neutral)

ICI members consider the supervisory coordination college model (Model D) as an operationally feasible approach. It preserves the strengths of the existing framework—clear legal mandates, local supervisory proximity, and institutional accountability without duplicating responsibilities or centralising oversight. Model D is could help to address fragmentation in a targeted way within the existing EU regulatory regime.

However, in our members' experience with supervisory colleges, they can often be time-consuming and duplicative to direct supervisory relationships, without resulting in harmonisaiton of rule interpretation or application.

The effectiveness of Model D would ultimately depend on the willingness of NCAs to engage meaningfully and with the shared objective of reducing fragmentation. Absent a formal accountability mechanism or clear incentives, there is risk that the college could default to a voluntary forum with limited impact—leaving the status quo largely unchanged.

Key advantages:

<u>Preserves existing legal clarity and accountability</u>: Model D ensures that supervisory mandates remain clearly defined. By avoiding changes to legal responsibility among NCAs, it prevents ambiguity, duplicative oversight, and jurisdictional disputes that would arise under joint or bifurcated models such as Models A, B, or C.

<u>Enhances coordination</u>: A coordination college, with ESMA in a facilitative role, provides a structured platform for regular dialogue and alignment that would respect national market contexts. It could foster consistent supervisory practices and support convergence, especially with respect to interpretation of EU legislation, passporting procedures and marketing notifications, and reporting templates and data standards.

<u>Builds on familiar tools:</u> Model D has precedents in the banking, insurance, and CCP sectors. While those models are more hierarchical, the asset management version can be tailored to collaboration and peer learning. ESMA's role can include convening regular coordination sessions, publishing best practices, facilitating horizontal peer reviews, and issuing non-binding guidance to support aligned outcomes.

Critical elements to ensure tangible outcomes:

- Transparency and accountability: Clear objectives, documented procedures, and defined follow-up processes.
- Proportionality: Coordination should focus on firms with significant cross-border activities or systemic relevance avoiding undue burden on smaller firms.
- Market input: Periodic engagement with industry participants to help identify persistent frictions or divergences and ensure the college's work is grounded in market realities.
- Market feedback: Provide industry with a continual communication loop of important supervisory themes.

ICI considers this model to be the most constructive approach. It could address fragmentation and inconsistency in a targeted manner, strengthen trust among supervisory authorities, and advance the goals of the SIU without the complexity, disruption, or legal uncertainty of other models. Importantly, it would ensure that firms can maintain close, on-the-ground relationships with supervisors who have existing market and sector-specific expertise.

Model D may be integrated as one component of an initiative that provides effective mechanisms and incentives to improve NCA coordination and communication. For example, a combination of the feasible and beneficial aspects of Models C and D could be a constructive path forward that preserves the strengths of the existing framework—clear legal mandates, local supervisory proximity, and institutional accountability—without duplicating responsibilities or centralising oversight.

This approach should bring together the lead NCAs from all supervisory colleges to form a supervisory coordination council. The council could be chaired by ESMA and serve as a standing forum for promoting convergence across supervisory practices. It would provide a mechanism for horizontal alignment across firms and Member States, addressing systemic divergences that cannot be resolved through individual colleges alone.

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.

52) Would joint supervisory teams, composed of experts of NCAs and representatives of ESMA, under ESMA's lead, be an efficient tool to achieve a more harmonised and efficient supervision of AIFs, UCITS and their fund managers? Please choose between: 1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion) Please explain your answer

RESPONSE: Select 3 neutral.

ICI sees potential value in joint supervisory teams in limited, well-defined contexts, but only as a complement to existing supervisory structures, not as a substitute for national oversight. If properly scoped, joint supervisory teams could support specific supervisory objectives such as:

- Horizontal reviews across Member States to assess divergent interpretations of key rules (e.g., marketing practices under CBDF, or cost disclosure requirements);
- Thematic investigations where fragmentation is most acute (e.g., authorisation standards and data quality);
- Knowledge-sharing and capacity-building, particularly where certain NCAs face resource constraints or limited exposure to certain fund strategies.

Such teams could foster a culture of peer learning, reinforce consistent application of EU rules, and help ESMA identify where formal guidance or regulatory clarification may be needed.

To be efficient and respectful of existing legal mandates, ICI suggests that joint supervisory teams should meet some threshold conditions:

- Clearly defined scope and purpose: Teams should be deployed for targeted supervisory projects rather than for routine or full-scale supervisory actions, and should be time-bound and results-oriented.
- ESMA as facilitator, not enforcer: ESMA could lead coordination, but primary authority must remain with NCAs. Joint teams should not blur accountability or create parallel review processes that complicate national oversight.
- No disruption to firm relationships: Asset managers benefit from continuity and clarity in their supervisory relationships. Joint teams must coordinate through the home NCA and avoid conflicting requests or duplicative engagements with firms.
- Transparency and feedback loops: The outcomes of joint supervisory work should be shared with stakeholders, and insights should inform future regulatory guidance or updates to ESMA's Q&As and peer review programs.

Joint supervisory teams, when narrowly applied, can be a constructive tool for promoting supervisory convergence and best practices particularly in areas where divergent national implementation is most problematic. However, they must remain firmly anchored within the existing supervisory architecture, support NCA leadership, and avoid creating new layers of complexity or uncertainty for asset managers.

As a targeted and facilitative mechanism, rather than a structural shift, joint supervisory teams could enhance both effectiveness and efficiency without undermining supervisory clarity or proportionality.

7. Horizontal questions on the supervisory framework

7.1. New direct supervisory mandates and governance models

1) Would you agree that EU level supervision is beneficial to achieve a more integrated market? Please provide your answer by choosing from 1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), (no opinion)

RESPONSE: Select 4 (rather disagree)

ICI strongly supports the objective of a more integrated and competitive EU capital market. However, we do not believe that EU-level supervision is the appropriate or effective means to achieve that outcome, particularly in the asset management sector.

Creating a regulatory ecosystem where capital markets can thrive will require a fundamental refocusing of the objectives of financial services regulation. A more integrated market will not result from centralised supervision alone or even a a major component. As demonstrated by the experience of the banking sector under the Single Supervisory Mechanism (SSM), centralised supervision has not led to a fully integrated market. The same risks including duplicative oversight, legal uncertainty, and institutional complexity, apply with even greater force in the asset management context.

The efficient flow of capital across the EU is essential for realising a unified single market. This depends not on who supervises, but on whether asset managers can efficiently provide services and distribute investment products, such as UCITS, across borders. At present, that efficiency is undermined by regulatory fragmentation, not by the absence of central supervision.

The real barrier to market integration lies in persistent regulatory and supervisory divergence at the Member State level. Member States frequently impose gold-plating that goes beyond EU legislation. This includes:

- Increased authorisation hurdles;
- Stricter substance and governance requirements;
- Country-specific disclosure templates and shareholder communication obligations;
- Duplicative or non-standard data reporting formats;
- Local language translation mandates, sometimes even for documents not directed at retail investors.

Such measures create significant operational burdens for firms and prevent scalable fund distribution. They also raise costs for investors, limit product choice, and reduce incentives for firms to expand cross-border. ICI research shows that UCITS distributed across multiple Member States are materially more expensive than those marketed in a single jurisdiction—a direct consequence of regulatory divergence.

The UCITS framework is one of the EU's most successful financial integration achievements, offering investors across the Union access to well-regulated, transparent, and diversified products. But for the UCITS framework to realise its full potential, Member States must work together to reduce divergence, eliminate unnecessary gold-plating, and align supervisory practices.

Importantly, as long as Member States retain discretion to impose national rules beyond the EU framework, EU-level supervision alone will not produce market integration. In fact, adding an EU-level supervisor could create a new layer of oversight without resolving the underlying causes of fragmentation, particularly if national authorities continue to interpret or apply EU rules inconsistently.

Rather than centralising supervision, the Commission should focus on improving coordination, collaboration, and mutual trust among NCAs. ESMA can play an important facilitative role promoting convergence through the establishment of a structured NCA coordination mechanism which can foster greater alignment of supervisory practices between NCAs. But responsibility for oversight should remain with NCAs, which are best positioned to understand local markets, engage with firms, and respond proportionately.

A more integrated market will not be achieved through EU-level supervision. It will come from targeted efforts to eliminate regulatory divergence, reduce gold-plating, and align supervisory expectations across Member States. In this context, centralised supervision is neither necessary nor sufficient to achieve the Commission's objectives for the SIU or the broader EU capital markets.

7.3. Increasing the effective use of supervisory convergence tools

8) Do you think that the current supervisory convergence tools are used effectively and to the extent that is possible? Y/N. If the answer is no, please explain and give examples. Please select the ESA(s) for which you are replying, this selection will apply to all questions included this section.

RESPONSE: Select ESMA; Select NO

Considering the prevalence of inconsistent implementation and regulatory fragmentation across Member States, it is clear that ESMA's existing supervisory convergence tools have not had meaningful positive impact in reducing divergences. This could be due to the lack of effectiveness of current supervisory convergence tools, or because the use of the tools by ESAs and NCAs has been inconsistent.

For example, ESMA Common Supervisory Actions (CSA) are often implemented differently across Europe. While ESMA sets the objectives for the CSA, each NCA independently designs its own templates and spreadsheets for data collection. This fragmented approach creates a significantly more burdensome process and raises concerns about the interoperability and consistency of the data gathered.

Similarly, ICI members indicate that while colleges of supervisors may result in beneficial dialogues among supervisors on complex issues, they often require significant resources on the asset managers' part, with no clear beneficial outcome in terms of harmonising NCA practices.

The Commission's focus on addressing fragmentation is an opportunity to refine existing tools and to explore new mechanisms for alignment of NCA supervisory approaches without undermining national responsibilities. Transferring responsibility to a central EU supervisor is neither feasible nor desirable and would not meaningfully contribute to the goals of the SIU. 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 necessarily improving supervisory outcomes. Instead, we see greater value in enhancing collaboration and coordination among NCAs, with ESMA acting as a structured facilitator of convergence, rather than a replacement for national supervision.

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 supervisory college, coordination council, 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 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, 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.

We believe these targeted measures offer a more pragmatic and effective path toward simplifying compliance, reducing regulatory divergence, and strengthening the asset management industry in the EU.

7.5. Possible new supervisory convergence tools

18) ESMA: Are there additional supervisory convergence tools that should be introduced?

RESPONSE: Select ESMA; Select YES;

Despite significant progress in regulatory harmonisation, NCAs continue to apply rules inconsistently, particularly in areas related to licensing and substance requirements. These divergences can reflect protectionist tendencies that discourage cross-border activities, increase compliance burdens, and restrict choice for businesses and investors. Inconsistent application undermines confidence among market participants and trust between NCAs.

ICI strongly welcomes the Commission's proposals to (i) set up a dedicated channel for reporting on single market barriers; (ii) remove gold-plating and reduce national discretion; and (iii) remove the remaining EU-level and national barriers for asset managers.

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- Establishing a structured NCA coordination mechanism facilitated by ESMA, such as a supervisory college, coordination council, 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 Member States, advancing meaningful progress toward a more harmonised and efficient Single Market.

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