

MEMO# 30791

July 21, 2017

EU Commission Inception Impact Assessment - Reducing Barriers to the Cross-Border Distribution of Investment Funds - ICI Global Response

[30791]

July 21, 2017 TO: ICI Global EU Capital Markets Union Task Force
ICI Global Regulated Funds Committee RE: EU Commission Inception Impact Assessment - Reducing Barriers to the Cross-Border Distribution of Investment Funds - ICI Global Response

As previously advised,[\[1\]](#) on 21 June the European Commission published an inception impact assessment in the context of its initiative to reduce barriers to the cross-border distribution of investment funds under the auspices of the Capital Markets Union.

ICI Global submitted a high-level response to the impact assessment. Based on member feedback, the response[\[2\]](#) and a supporting document,[\[3\]](#) contains our assessment of the qualitative and quantitative impact on cross-border fund distribution arising from EU and Member State regulatory requirements in four areas covered by the Inception Impact Assessment, as summarised below:

- **Administrative Requirements** - Our analysis suggests that the appointment process for a single paying agent can take on average between 4-6 weeks – with many of our members saying it takes at least 4 weeks – and for multiple paying agents the process can take several months. Our analysis also suggests that the cost of appointment varies considerably across Member States and different paying agents, with estimated costs ranging from a few thousand Euros to tens of thousands of Euros per year per paying agent;
- **Cross-border Marketing Notifications** - Our analysis suggests that the cost of host Member State procedures can often run to tens of thousands of Euros, particularly for marketing notifications concerning retail distribution. Notification procedures often take at least 4-6 weeks to complete for retail distribution notifications, and at least 3 weeks for institutional distribution notifications;
- **Local Marketing Requirements** - Our analysis shows that to meet these requirements funds typically incur legal counsel fees, vendor customization costs and website development costs that typically run to tens of thousands of Euros each year;

- **Online distribution** - Our analysis shows one qualitative impact of this divergence is the opportunity cost for an investor whom would have otherwise been able to access information and invest in a fund, but is unable to do so due to regulatory hurdles or barriers in his/her country.

In conclusion, we believe that the Commission's inception impact assessment addresses the main issues concerning the cross-border distribution of UCITS and AIFs. The examples and estimates contained in this response, supplement our prior submissions and further highlight the monetary, time and opportunity costs implications of these issues with negative consequences for fund investors, in particular EU citizens saving for their long-term or retirement needs.

Next Steps

The Commission has indicated that it will use the results of the inception impact assessment to determine whether to put forward a legislative proposal to facilitate the cross-border distribution and supervision of UCITS and AIFs in Q1 2018.

Giles Swan
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endnotes

[1] Memo 30765, RE: EU Commission Inception Impact Assessment - Reducing Barriers to the Cross-Border Distribution of Investment Funds, Dated 4 July 2017, *available from* <https://www.iciglobal.org/iciglobal/pubs/memos/memo30765>

[2] https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-3132069/feedback/F2259_en

[3] https://ec.europa.eu/info/law/better-regulation/feedback/2259/attachment/090166e5b3e6f669_en

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