

## VIDEO

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# Focus on Funds: Global Funds Face a Busy European Policy Agenda

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EU policymakers are in high gear during the final months of their current terms in office, considering several regulatory issues with significant implications for global funds and their investors. In the November 2, 2018, edition of *Focus on Funds*, ICI Global Chief Counsel Jennifer Choi details key items on their agenda.

### Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** Global funds and their investors need to pay attention to what will be a frenetic fall and winter in Brussels. Recently, I spoke with ICI Global's chief counsel, Jennifer Choi, about the busy agenda for policymakers, the time pressures they're facing, and what it all means for funds and their investors.

**Jennifer Choi, ICI Global chief counsel:** Because of the parliamentary elections in April, all the files have to be basically substantively completed by the end of the year. So there's a mad rush in Brussels right now to get all these files completed.

**Ortvals-Tibbs:** And we are part of that mad rush.

**Choi:** We're very engaged in Brussels at this point. It's important that we provide the asset manager and investor voice to this important debate.

**Ortvals-Tibbs:** So EU policymakers are quite busy. They're looking at some issues that we've been following and concerned about for some time now; also some new issues. Let's start, if we could, with the issues we've been very engaged in for some time, perhaps picking up first with the proposal to reform the European Supervisory Authorities [ESAs]. What's going on there?

**Choi:** That's our number-one priority. One of the provisions in the ESA review is the article on delegation and portfolio management. This article could potentially hinder or restrict the ability of EU asset managers to delegate portfolio management outside the European

Union. That really would prevent UCITS from being able to tap into the best expertise worldwide, and which would in turn harm UCITS investors.

**Ortbals-Tibbs:** Yeah, this is an issue that has major implications for global funds and their investors.

**Choi:** Our members are looking for expertise around the world, and that's to the benefit of UCITS investors. And it would really be to the detriment of the UCITS brand if they were not able to do that.

**Ortbals-Tibbs:** It's also—it feels like movement again on some of the issues around financial stability.

**Choi:** They're always looking at financial stability risks that [the] asset management industry poses. The bodies that are looking at it are entities that are dominated by bank regulators so that they have that particular bank regulator lens in looking at the asset management industry.

**Ortbals-Tibbs:** And, of course, we're trying to adjust that lens and make sure that they understand that funds play a quite different role in the markets.

**Choi:** We're trying to educate them in our industry providing data in the studies that we have done about our industry.

**Ortbals-Tibbs:** And so, then turning to a new issue, the new issue in Europe—one they've been quite busy on the past few months—is this issue around ESG investment, or environmental, social, [and] governance-oriented investment.

**Choi:** Yes. Sustainable finance is one of their number-one priorities. It's the package that came out starting at the beginning of the year. So our focus is making sure that policymakers understand that it should be investor-focused. And to do that, asset managers approach sustainable finance a couple of different ways. And it's important that they understand the distinction. One is that all asset managers look at material risks, including sustainability risks. Those are already incorporated and integrated into the investment process.

So the second approach is the ESG-themed funds; these are great innovations that are intended to meet investor demand for a particular preference. Either they'd be environmental, social, or governance-oriented. So I think it's important for policymakers to understand that difference.

**Ortbals-Tibbs:** What we're spending a lot of time talking with them about is for them to understand just how vibrant this marketplace already is.

**Choi:** It is a burgeoning, innovative market. To meet investor demand, asset managers are approaching these in many different ways, whether it be impact investing, screening, multiple ways of getting to that objective. So EU policymakers should keep that in mind and not impose a prescriptive approach to regulating ESG investing.

## **Additional Resources**

- [ICI Global Home Page](#)
- [Comment Letter to the European Commission: ICI Global on Sustainable Investment](#)

- [Comment Letter to the Basel Committee: ICI Global on Financial Stability and “Step-in” Risk](#)

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