

## VIDEO

July 21, 2017

# Focus on Funds: Key Trends in Europe for Global Funds

Focus on Funds

## Key Trends in Europe for Global Funds

In the wake of Brexit, Europe is facing potentially significant changes in cross-border investment and distribution. In the July 21, 2017, edition of Focus on Funds, Mike O'Brien, chief executive of JP Morgan Asset Management's Europe, Middle East, and Africa business, offers his perspective on what this could mean for funds and their investors.

### Transcript

**Stephanie Ortvals-Tibbs, ICI director, media relations:** UCITS may be a European fund construction, but it's a global success story. Today, however, there are questions surrounding the future of the global investment vehicle, as I recently learned from speaking with JP Morgan Asset Management. One of its leaders, Mike O'Brien, shared his concerns with me for funds and their investors.

**Mike O'Brien CEO, EMEA, and co-head, global investment solutions, JP Morgan Asset Management:** UCITS is one of the big success stories of financial services in Europe. What it does is it creates cross-border vehicles that ultimately can grow in size. The larger the size of those funds, then the lower the cost of running them. Europe and UCITS have 30,000 funds, the average size is about \$200 million. The US has 10,000 mutual funds, the average size of those funds is seven times [greater]. So, Brexit is going the wrong way. What we want to do is create bigger funds, and less of them, that benefit the consumer in terms of lower operating costs.

Our worry is that London has created an industry that is serving all of Europe—\$7 trillion of assets under management in London, one-third of which relates to Europe—economies of scale, lower cost, it's good for the consumer. The danger with Brexit is that areas like passporting and financial services, and delegation of asset management back to London, will basically be taken away.

**Ortvals-Tibbs:** And Mike, at the same time that we're talking about concerns around Brexit, there is the promising news out of the European Union on the Capital Markets Union [CMU] front.

**O'Brien:** There is the danger that Brexit runs counter to the CMU objectives, which is to create wider, deeper, capital markets that can be used to finance infrastructure investing in

Europe, jobs, and growth around mid-sized employers—so, the worry is that Brexit will actually fragment the capital market in Europe, will damage the ability to create deeper capital markets, and the story is that it will actually be less beneficial for consumers.

**Ortbals-Tibbs:** How can we quantify the untapped investing potential that a CMU might unleash in Europe?

**O'Brien:** Well, an effective CMU will go hand-in-hand with better fund structures, better options for the consumer. Forty percent of the average European's financial assets are in deposits. Less than 10 percent are invested in funds. It is critical for the success of Europe to create these deep capital markets—that we get more of the consumers' investable assets into long-term investing. That means out of deposits and into funds.

**Ortbals-Tibbs:** Mike, the last question is: How you see the long game for investors and funds?

**O'Brien:** I would think about the ability to position funds across all of Europe, because again, it's about the economies of scale. Remember, the less funds that are there that are larger in size, then the better the economy is for the consumer, and therefore the lower the cost. So it is about creating an environment that basically facilitates cross-border sales of funds, and also fosters innovation, not making it difficult to build funds that are different and that are better aligned with what the consumer needs, for retirement, for example.

## Additional Resources

- [Focus on Funds: Global Use of UCITS Funds Is Under Threat](#)
- [Statement: ICI Global Praises European Progress on Capital Markets](#)
- [ICI Viewpoints: Industry Leaders Highlight Opportunities Presented by Industry Change](#)
- [ICI Viewpoints: Geopolitics and Global Business: What the Future Holds](#)
- [Focus on Funds: Top Concerns for Funds as Brexit Begins](#)