
MARCH 12, 2019

CROSS-BORDER DISTRIBUTION OF INVESTMENT FUNDS IN EUROPE

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LA FRANÇAISE
investing together

MULTI-SPECIALIST ASSET MANAGER

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CROSS-BORDER FUND DISTRIBUTION

WHY DOES IT MATTER?

- Broader **market access and investor reach**
- Enhanced **economies of scale, cost efficiency and time to market**
- **Driver for development** in key cross-border hubs like Luxembourg and Ireland
- **Knowledge, insight, expertise and execution** capability are required
- Identifying the **main distribution drivers**:
 - ▢ Customer preferences, awareness and sophistication
 - ▢ How each target country's market operates including regulatory and tax considerations
- **Technological advances** have further optimized and transformed existing frameworks, but investment is required to adapt
- Lower barriers for cross-border distribution of investment funds within the EU would drive greater efficiency in asset management and from a cost standpoint
 - ▢ Pooling of assets within large flagship funds
 - ▢ Regular and continuous inflows driven by numerous clients from different national, regional and fiscal environments

Key Considerations





CROSS-BORDER FUND DISTRIBUTION

THE EU PASSPORT: STILL SOME WAY TO GO

**EU Passport
Widely Adopted**



- **Confirmed adoption** of the EU fund passport
- **Service providers are offering bespoke solutions** to help tier 2 / tier 3 asset managers with the administrative process related to fund passporting (initial registration and maintenance of passported status) at competitive prices
- In the context of the economies of scale that can be achieved at the level of the pooled assets, the **costs associated with the EU passport do not seem to constitute a barrier** for cross distribution of funds in the EU
- Limitations do however exist:
 - ▢ Preference of certain categories of investors for **local wrappers** – most likely driven by cultural and/or tax considerations (and applicable regulation to a lesser extent)
 - ▢ **Heterogeneity of marketing rules/requirements** across EU countries



FACILITATING CROSS BORDER FUND DISTRIBUTION

EU LEGISLATIVE PROPOSALS

■ Few positive aspects - Harmonisation, facilitation and clarification:

▢ **Premarketing for AIFMs:**

- Intended to create a harmonised pan-EEA regime for testing investor appetite during early-stage promotional activities, on which the existing legislation is currently silent

▢ **Facilities for offering to retail investors - for UCITS and AIFs:**

- No physical presence (i.e. paying/representative agent) required in Member States
- Elimination of the gold-plating requirements still imposed by some EU jurisdictions

▢ **Publication of national provisions concerning marketing requirements**

▢ **Central database of AIFMs/UCITS ManCos** with information on AIFs/UCITS managed and/or marketed and Member States where marketing takes place

▢ **Harmonized rules for ex-ante verification procedure** of marketing communications (when required)

▢ **Transparency as to regulatory fees and charges** applied by NCAs

**Legislation:
The Positives**





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EU LEGISLATIVE PROPOSALS

- Aspects that could be improved / considered for inclusion:
 - ▢ Premarketing of AIF : restrictive framework/potential burdens (notably with the 18-month rule).
 - ▢ Extension to AIFs of UCITS rules with respect to facilities to be organized for retail investors. However the proposal does not create any new rights to market AIF to retail investors (access to such investors will remain subject to national law).
 - ▢ De-notification procedure:
 - Should not be identical for all types of funds, as this would disregard essential differences between mass retail products and funds which are aimed at a sophisticated/professional investor base.
 - ▢ Further **simplifying administrative procedures**:
 - For example: notification requirements - the ability to upload documentation to a single central European repository would mean a significant reduction in costs and time for asset managers
 - ▢ Guidance/clarification of rules on the use of new marketing technology/social media at a pan-European level.

**Legislation:
Room for
Improvement**





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For forty years, La Française has been developing core competencies in **third party asset management**.

La Française has a multi-expertise business model organized around four core activities: **securities, real estate, investment solutions and direct financing**. The group caters to institutional and private clients throughout the world.

With 606 professionals and offices in Paris, Frankfurt, Geneva, Stamford (CT, USA), Hong Kong, London, Luxembourg, Madrid, Milan, Seoul and Singapore, **La Française manages over €65bn in assets (as of 31/12/2018)**.

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Source: La Française Group. Assets under Management (“AUM”) figure is unaudited and represents the combined assets of the four business lines of the La Française Group, global asset management, global real estate investment management, global investment solutions and global direct financing.

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