

Delivering the Savings and Investments Union in an era of simplification and burden reduction

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Introduction

Ladies and Gentlemen,

Good afternoon and thank you for the invitation. It is always a pleasure to join EFAMA's Investment Management Forum and exchange with experts and leaders of the asset management industry. This annual conference is an opportunity to share ESMA's perspective on some of the ongoing debates that may impact the regulatory and supervisory landscape and highlight important pieces of work we have done or expect to launch over the coming months.

As Europe strives to become stronger and address the 800 billion euros annual funding gap Mario Draghi has pointed to in his report on the EU's competitiveness, it is clear that the Savings and Investments Union (SIU) is a high priority. Unlocking the potential of its capital markets is a necessity for the EU to finance its transformation, support the growth of its economy and ensure the sustainability of its social model. The Commission has already unveiled a number of initiatives to stimulate more investor participation in markets and improve financial literacy.

ESMA stands ready to contribute to the SIU objectives wherever we can help support more effective markets, be it through our convergence efforts, our supervisory mandates or our technical input. Today I will share key findings of a report on direct and indirect costs of investing in European funds we have published this morning which hopefully can inform future discussions.

I will also highlight the most important aspects of the work we are doing to simplify the regulatory framework and reduce administrative burden. Specifically I will give some insights into our work on integrated fund reporting which is particularly relevant for this audience.

As the EU considers changes to its framework on its journey to building a true savings and investment union, we should also be mindful of the major technological innovation taking place which could profoundly affect the way markets operate and investors access financial services and products. I will say a few words on recent developments and will be very interested to hear your perspectives on the potential impact of technological developments, e.g. AI and tokenisation, for the asset management industry.

Savings and Investments Union

The Savings and Investments Union (SIU) aims to create better investment opportunities for EU citizens by enhancing our financial system's capability to connect savings with productive investments. The building blocks from an investor perspective are progressively falling into place. As presented by Commissioner Albuquerque the European Commission Recommendation on Savings and Investment Accounts and the financial literacy strategy aim to empower Europeans to make informed investment decisions and grow their wealth to be able to face life events. The forthcoming market integration package is expected to further enhance European markets efficiency.

For the asset management industry, the combined effect of these legislative changes could not only increase the investor base but also enable the much-needed scalability and cross-border expansion. Increased integration would also drive improvements to the wider market infrastructure, supporting more efficient liquidity, risk management but also trading and settlement, thus gradually reducing frictions.

While a key aspect of the SIU is to enable more Europeans to benefit from investing in financial products, **transparency on costs is essential**. With this in mind, we have today published a report on total costs of investing in European investment funds (i.e., UCITS and Alternative Investment Funds or AIFs).

ESMA Report on Costs of investing in UCITS and AIFs

This report provides an unprecedented insight on fund distribution in the EEA and fills an existing knowledge gap by:

- providing an overview of distribution channels in the EEA;
- presenting, for the first time, a comprehensive assessment of the total costs, including distribution costs, charged to EEA fund investors; and
- analysing key cost drivers.

Thanks to the data collected from the industry with the support of the national competent authorities we have been able to cover 2/3 of UCITS AuM (7.2 trillion euros assets under management) and 40% of the AIFs assets (2.6 trillion euros worth of AuM).

This study confirms the burden that distribution costs represent for investors, the weight of traditional distribution channels and the significance of inducements.

It shows that EEA investment funds are mainly distributed indirectly via credit institutions and investment firms. Neo-brokers, offering mainly execution services, are emerging but remain marginal.

Investment firms and credit institutions are more expensive than digital platforms and investment firms are more expensive than credit institutions for both UCITS and AIFs.

For retail investors investing in UCITS, non-independent advice is the most expensive distribution service, while execution only (especially when provided by neo-brokers) is the cheapest.

Total costs, product and distribution costs, vary significantly. For UCITS sold to retail investors, total costs range from 0.5% of the invested amount to 2%. AIFs total costs range from 1.4% to 2.8%.

Distribution costs account for almost half of total costs for UCITS, 48%, and almost a third for AIFs, 27%.

Inducement agreements are widespread. On average for UCITS, 45% of product ongoing costs are paid as inducements, by manufacturers to distributors. For AIFs, this amounts to 34%.

For the first time, we examine the actual level of one-off fees received by manufacturers, showing that the maximum level reported in PRIIPs KIDs do not reflect what manufacturers actually receive.

The main cost drivers include the type of investor, amount invested, distribution channel and distribution service offered. There is broad heterogeneity across Member States.

This analysis was enabled by an ad-hoc data collection. ESMA, in cooperation with national competent authorities, gathered data from fund manufacturers, and fund distributors. I would like to take this opportunity thank all of you who have contributed to this exercise. Due to limited harmonisation across the different pieces of EU legislation, comprehensive analysis of total investor costs remains challenging without consistent reporting of distribution costs. Nevertheless the results of this report provide **a useful contribution to the ongoing SIU**

debate and may **feed into the upcoming discussions**, especially in relation to retail participation.

Enhancing supervisory convergence

Let me turn to another important element of the SIU project, namely fostering more regulatory and supervisory consistency across EU Member States.

As announced by the Commission a few weeks ago, the upcoming market integration package intends to address the outstanding regulatory and supervisory hurdles that do not belong in a seamless cross-border market for capital. The barriers are well known to fund managers operating in Europe and have been actually spelled out in the recent EFAMA publication on supervision: different marketing rules, reporting practices, supervisory practices, and fiscal treatments. The UCITS and AIFM directives provide for a minimum level of harmonisation, which has led to different transposition and implementation of the rules in the Member States.

From ESMA's perspective, the ideal regulatory starting point would be to limit the possibility of such national differences, for example, by turning directives into regulations. A fully consistent framework would not only mean simplification but also more consistent supervision for entities operating across Europe.

The Commission has also announced that it envisions targeted centralisation of supervision at the EU level, where there is significant scope for increased cross-border activity, such as financial market infrastructures and crypto asset service providers. ESMA welcomes and supports the focus on Financial Market Infrastructures with significant cross-border activities. For such entities, EU level supervision can increase efficiency while enabling a comprehensive view of the firm's footprint across different markets and an overview of the risks it may represent for the EU financial system. A more decisive role for ESMA could also translate into enhanced convergence, providing for a smoother and joint decision-making amongst ESMA and the most relevant NCAs for some cross-border issues.

Most importantly to ESMA, regardless of the form this will take, the outcome should result in a strengthened collective ability for the EU to respond decisively to risks, support orderly and effective markets and to keep investors adequately protected.

Over the years, ESMA has considerably steeped up its efforts to foster effective supervision and more convergent practices on the ground through various initiatives such as Common Supervisory Actions, Voluntary Supervisory Colleges, Supervisory case discussions and remains fully committed to fostering a common supervisory culture across the 27 Member States.

Depository peer review

In this context, let me highlight that ESMA will soon publish the results of a **Peer Review on the supervision of depository obligations**. This is an important piece of work as depositories play a pivotal role in the investment management ecosystem to ensure the protection of investors assets and the orderly functioning of markets. Peer reviews strengthen consistency in supervisory outcomes by assessing national authorities' activities using a structured methodology for objective comparison. They are a key tool to promote consistent and effective supervisory practices across the EU.

The Peer Review on the supervision of depository obligations targeted five jurisdictions in the EU based on the size of the investment management market and level of depository activity while ensuring a balanced geographical distribution.

It assessed NCAs supervisory and enforcement practices across oversight obligations, safekeeping duties and delegation. It also explored delegation/outsourcing arrangements, safekeeping practices and monitoring of investment restrictions and leverage limits. The Peer review also noted the high concentration of the market with few players within each Member State and across the EU. The report will be published in the coming days.

Simplification and burden reduction

In addition to our focus on SIU, **ESMA is fully committed to do its part to contribute meaningfully to the simplification and burden reduction agenda.**

The goal should be increased efficiency, which can be translated into lower costs and increased attractiveness of the EU financial markets. Simplification should not, however, be used as an excuse for lowering the level of resilience of our financial system, investor protection or financial stability.

We have begun this work by looking again at the data we were collecting from entities under our supervision and streamlined our requirements. We have also announced that we would no longer require data to be reported for transparency purposes under the MIFIR regime and rely on transaction data already reported to run the transparency and volume cap calculations.

Our simplification and burden reduction work is now focused on three flagship projects:

- The investor journey;
- Transaction reporting; and
- Integrated funds' reporting.

Investor journey

In May 2025, we launched a Call for Evidence on the investor journey to further our understanding of recent trends and identify any regulatory or non regulatory barriers to retail participation in capital markets. The feedback we received confirmed that there is no single obstacle to retail participation but that there are multiple factors.

We fully agree with the point EFAMA has made in its response that financial education is important to empower retail investors to engage with confidence in capital markets. We are currently finalising the analysis of all the feedback received and will consider what would be the best way forward taking into account the outcome of the negotiations on the Retail Investment Strategy. Our goal is to support investors to have easier and more effective access to investments.

Transaction reporting

Transaction reporting is an area where we believe much could be done to streamline the regulatory requirements and reduce burden for market participants. Multiple reporting regimes under MiFIR, EMIR, SFTR, etc., were developed and continue to operate in silos, resulting in overlapping obligations (for example relating to derivatives) that need to be reported across different regimes. ESMA launched a Call for Evidence in June on transaction reporting, which seeks to identify the principal cost drivers and to analyse options for simplification.

Whilst the principal focus of our work remains on MiFIR and EMIR, we are also carefully considering the broader implications for other regulatory frameworks. The fund industry stands to gain considerably from any improvements that may arise from this initiative.

The consultation, conducted over the summer, attracted a high level of engagement from all segments of the market, including substantial input from the buy-side. Thank you for engaging with us on this important project. This breadth of participation has given us a comprehensive view of the areas most in need of attention and of the diverse perspectives of market participants.

We intend to publish the final report with the results of the consultation process in 2026. Ultimately, this initiative is not solely about reducing the reporting burden; it is a means of enhancing the competitiveness of European market participants.

Integrated funds' reporting

ESMA published in June a Discussion Paper on the integrated collection of funds' data. This work, in conjunction with the work on transaction reporting, aims at bringing direct benefits to

the industry by enhancing efficiency, reducing duplication and inconsistencies and overall streamlining the reporting experience.

The market's reaction to this consultation has been enthusiastic, with a clear desire for action from authorities to address inefficiencies and shortcomings. We see strong calls for enhancing data-sharing between authorities, implementing in practice the “report once” principle and aligning inconsistent definitions.

The Discussion Paper explored different scenarios and aimed to understand which of those gathered more support from the industry.

With regards to the reporting systems themselves, ESMA is looking at how the current fragmented setup of data collection and validation between national supervisors and central banks, the ECB and ESMA could be simplified. This means improving data sharing and reuse between all authorities. In the case of funds data, ESMA and the ECB have already taken steps with some ad-hoc data sharing arrangements and are currently looking at how to continue and expand those in order to allow a more efficient use of currently available data.

ESMA also aims to simplify the reporting template itself, to bring improved consistency to the definitions and streamlining the reporting experience of fund managers, with a special focus on those operating across borders.

ESMA will continue to work with a view to publish a Final Report by Spring 2026, with the objective of agreeing the key principles that would allow for the development of a more integrated reporting system for funds that brings benefit to the industry.

Taken together, our work on integrated funds reporting and the Call for Evidence on transaction reporting exemplify ESMA's commitment to delivering meaningful simplification. We aim at a clear roadmap for implementation that carefully considers the different expectations of stakeholders. We want to foster a regulatory environment in which European market participants can thrive, innovate, and compete with confidence on the global stage.

Innovation in asset management

Finally, I would like to briefly touch upon the impact of innovation. Technological innovation is moving fast.

For an industry that looks to harness the opportunities of more integrated markets and maintain its competitiveness on the global stage, technological innovation is becoming a defining factor. In an increasingly data-driven and global marketplace, the ability to harness artificial intelligence, automation, and advanced analytics determines how effectively firms can deliver

value to investors. Innovation enhances operational efficiency, supports more personalised investment solutions, and enables better risk management.

AI can deliver on all these fronts. So far, AI has been taking over especially in back-office activities and gradually also in client-facing applications. Evidence suggests that AI adoption has so far been uneven, with smaller firms often lagging behind larger competitors. According to a recent survey we conducted in cooperation with some of our NCAs, most large firms in the asset management space have invested in AI and now systematically use AI tools: only 10% of firms have neither rolled out, nor are testing any AI use case. But this figure increases to almost 50% for small firms.

Another development that may increasingly be relevant for asset managers concerns the use of distributed ledger technology (DLT) for the provision of financial services. One example is tokenisation – the process of issuing or representing assets in digital forms, known as tokens, using DLT. Proponents of tokenisation argue that it could increase efficiency in financial markets, due to real time contract execution and reduced reconciliation needs, reduce costs and 24/7 availability. It could also facilitate retail investors' access to a wider range of investment opportunities.

Tokenisation has seen limited adoption so far. But it has been drawing growing interest in markets, not least in the US, including in the asset management sector. Tokenised funds still represent a small portion of global funds (less than 0.1%) but they are set to expand fast according to some estimates.¹ The top 10 tokenised funds – mostly money market funds – almost doubled in size in the first half of 2025. As regulators and supervisors we need to make sure that our rules do not unduly restrict these developments where they can bring benefits. But we also need to be aware of potential new or emerging risks, for example risks inherent to the underlying technology.

Now I want to hear from you: are AI and tokenisation about to transform the industry? Is the regulatory framework fit for purpose to keep pace with these developments?

Conclusion

I hope I have been able to convey some of ESMA's top priorities at this important juncture. The market environment remains fragile and geopolitical tensions very high. It is essential that in Europe we take the decisive steps needed to strengthen the effectiveness of our capital markets and support the competitiveness of our economy. ESMA is fully mobilised to do its share to contribute to improve the framework and support the SIU while preserving the integrity of our markets and adequate protection for our investors. I have given you some examples of

¹ ESMA, 2025. [ESMA50-1949966494-3846 Trends, Risks and Vulnerabilities \(TRV\) Report, No. 2, 2025](#). BCG estimates that tokenised funds could reach 1% of total global funds by 2030.

how we try to inform the debate through our analytical work on costs of investing for example and contribute actively to alleviate the burden where we can for our firms such as in the case of our work on integrated fund reporting. The asset management industry also has a key role to play. We look forward to continuing our constructive dialogue and receive your input on how to make our markets stronger, more attractive and future proof.

Thank you for your attention. I look forward to your questions.