

# Priorities for European asset management: simplification, innovation, resilience and trust

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### Introduction

Ladies and Gentlemen,

Good morning, and thank you for the invitation to speak at this year's EFAMA Annual General Meeting.

This is a particularly timely moment for a discussion on the future of European asset management. Across several fronts, we are seeing both strong momentum and important structural challenges that will shape the sector in the years ahead.

Today, I would like to focus on four areas.

- First, how we can simplify regulatory frameworks, notably through more integrated and efficient reporting systems.
- Second, how digital innovation, including distributed ledger technology and fund tokenisation, is beginning to reshape market practices.
- Third, how we assess the current market environment and financial stability risks, where resilience coexists with growing underlying vulnerabilities.
- And finally, how we can strengthen retail participation, by making the investor journey more accessible, more effective and more trusted.

These topics are closely interconnected. Together, they reflect a broader and common objective for all: ensuring that European capital markets remain efficient, resilient and capable of supporting sustainable growth, while continuing to deliver for investors.

Let me start with regulatory simplification.

## **Simplifying reporting: Towards a single EU framework**

In early May, ESMA published two papers related to simplification and burden reduction in data reporting: the final report on the integrated collection of funds' data and the interim report on the holistic review of transaction reporting.

Starting with funds' reporting, the final report is an outcome of almost two years of work, during which we have looked at the existing reporting environment in the asset management sector, discussed it among authorities and reached out to the industry for feedback on the issues and potential solutions.

Given the scale of the challenges identified, with more than 100 European and national reporting obligations applicable to funds and fund managers, we have concluded that a significant change is required to move from the current fragmented reporting towards a common EU framework. The future reporting system should be based on a common and single reporting template and should be designed in a modular way to ensure that the needs of authorities are addressed in a comprehensive manner, while retaining flexibility and proportionality.

The simplification of data reporting for funds will involve not only ESMA and the national authorities, but eventually also the ECB and central banks. The future integrated system should aim to align reporting obligations across all authorities. Our objective is to ensure that market participants report data once and according to a common standard, and that this data is then shared and reused by all authorities to perform their respective tasks. Given the scale and the complexity of this work, we proposed a gradual implementation approach, with the first phase focusing on the integration of reporting under AIFMD and the UCITS Directive, and the second phase that would expand the integrated framework to other reporting obligations. We intend to closely collaborate with the ECB and the other authorities during this journey.

The improved sharing and use of data can be achieved through the development of a centralised hub that would offer validation, storage, access and analysis of data for the authorities. At the same time, we intend to keep the collection of data at national level, through the competent authorities. This hybrid approach will allow us to improve harmonisation and efficiency, while maintaining a close relationship between market participants and their supervisors.

We will now proceed with the development of the technical standards on reporting as requested by the revised directives. During this work, we will engage with market participants to ensure that the new reporting system addresses industry concerns related to data and reporting. We expect to issue a consultation paper on draft technical standards by the end of this year and finalise the proposals in the first half of 2027. We will subsequently implement the data collection system.

Regarding transaction reporting simplification, the feedback received from market participants confirmed the key challenges and cost drivers of the existing reporting regimes and support

for ambitious changes. ESMA has also identified both a set of concrete recommendations on simplification measures to provide relief in the short to medium term, like the revision of dual-side reporting and a target integrated reporting scenario addressing the structural sources of cost across EMIR/MiFIR and SFTR reporting. We are validating these recommendations with a cost-benefit analysis and continue our engagement with stakeholders. We appreciate the constructive input the industry has provided so far. More of it will be needed when we finalise the changes and move to the implementation. I hope I can count on your continued support and cooperation on this complex project.

For both reporting initiatives, we will carefully consider the implementation timeline. We are fully aware that these are major changes that will have a significant impact on IT systems across the industry and within authorities. We, therefore, intend to assess it to ensure there is a sufficient time to implement and test the changes, and to avoid multiple rebuilds of reporting systems.

Let me now turn to digital finance and the use of DLT in asset management and fund tokenisation.

### **Digitalisation in the asset management industry: DLT and fund tokenisation**

Digitalisation is an area of genuine innovation and of potential for real transformative change, even if at this stage it seems the implications are often more incremental. Tokenisation is sometimes presented as a complete break with the existing fund model. In reality, at least for now, it is often better understood as a change in the operational infrastructure around funds: how units are issued, recorded, transferred, distributed and, potentially, used as collateral.

For asset managers, the potential benefits are clear. Tokenisation may help automate certain functions, streamline subscription and redemption processes, improve shareholders' register management, reduce reconciliation needs, and support more efficient distribution models. Tokenisation can also benefit investors through greater accessibility, extended trading hours and more direct control over funds' assets.

We are seeing growing international market interest. Tokenised Treasury and money market fund products remain small compared with the wider fund industry, but they are growing quickly. Market reports suggest several billion dollars of assets are in tokenised Treasury and money-market products. This is still modest in absolute terms, but no longer negligible as a proof of market demand.

ESMA's approach to tokenisation is evidence-based, as we should not assume that tokenisation is either inherently a risk or inherently a solution. Tokenisation covers a range of designs, with different implications in terms of expected benefits and risks, hence the need to understand how the model is structured in practice. For example, is the DLT record the official register, or only an operational layer? Are transfers final on-chain, or only once reflected in the

transfer agent's books? Are investors holding the fund unit directly, or do they hold a claim through an intermediary or platform? These are key questions that need to be addressed.

We are therefore engaging with NCAs to build supervisory knowledge, focusing particularly on real-life cases. Part of this conversation is around whether any regulatory barriers to fund tokenisation exist, including in relation to the UCITS and AIFMD regimes.

There is also an important investor protection dimension. Tokenisation can make the investor journey faster and more digital, but greater speed and accessibility do not automatically translate into simplicity. Investors must understand the rights attached to their holdings and the risks involved, including those that arise from the underlying technology such as cyber risk and operational dependencies.

From a policy perspective, tokenisation also connects to broader EU objectives. If implemented well, it could support more efficient capital markets, more integrated distribution channels and, as such, the Savings and Investments Union agenda itself. But this requires two key points for attention: legal certainty and interoperability. Fragmented national approaches to registers, transfer of title, custody, settlement finality and insolvency could otherwise limit cross-border scalability and recreate the national fragmentation we are fighting to eliminate in our traditional markets.

I want to conclude on two messages. ESMA recognises that DLT may bring operational efficiencies and new opportunities for asset management. But these efficiencies must be delivered within a framework that preserves investor protection, clear accountability, operational resilience and supervisory visibility.

Let me now turn to ESMA's assessment of the current market environment.

### **Market resilience and risk monitoring**

The war in the Middle East has added to existing geopolitical tensions, resulting in increased uncertainty and signs of stagflation. Higher energy prices have pushed up inflation expectations, leading to rising bond yields and tighter financial conditions. As borrowing costs increase, corporate credit risk and concerns over public debt sustainability are re-emerging.

Despite the initial market stress, markets and infrastructures have been resilient. Trading has remained orderly in the EU and, although volatility and intraday margin calls increased sharply, the clearing of energy-related contracts worked without operational issues. Moreover, major equity markets recovered quickly from episodes of repricing. At the same time, valuations in some segments remain stretched. Therefore, from a financial stability perspective, this resilience in prices and operations should not be mistaken as an absence of vulnerabilities.

Markets seem optimistic about the duration of the war in Middle East even though current oil prices are closer to the range of an adverse scenario. Any shift in market expectations could drive sharp market adjustments. This is particularly the case as market performance has been driven by a relatively narrow set of sectors and firms, particularly in technology-related segments. The tail scenario would in my view be a market correction combined with the existing vulnerabilities or new threats, such as those linked to the development of frontier AI, that increase the risk of disruptions to market infrastructure.

These concerns are real and they also apply to investment funds. In the case of a global market correction around AI for example, EU equity funds would be particularly affected, due to their significant exposure to the US equity market (45% of assets). US indices are more susceptible to a deflation of a bubble in the technology sector, as that sector represents one third of the S&P 500 market capitalisation compared with 18 % of the Eurostoxx 50.

Therefore, close monitoring remains warranted. Leverage is a well-known risk driver, as highlighted in our annual risk assessment of the leveraged fund sector. In the current environment, hedge funds have particularly benefited from heightened volatility. Moreover, they were associated with several episodes of turmoil in the government bond market. Hedge funds contributed to the buildup of positions in government debt, and equally amplified market movements when unwinding their positions.

Liquidity is another risk factor relevant to the funds sector. The implementation of the revised AIFMD and UCITS Directive, and the implementing rules on liquidity management tools, are expected to make EU fund managers better equipped to manage the liquidity of their funds. In terms of monitoring, managers are now required to report systematically to their competent authorities the use of liquidity management tools, such as suspensions of subscriptions and redemptions. Competent authorities also have the obligation to share this information with ESMA and host NCAs. These enhanced reporting obligations will help monitor the liquidity risk across the fund management sector.

More recently, the nascent private credit sector (about EUR 0.1tn in AUM) has attracted regulators' attention for good reasons. Private credit fuels development opportunities and can be an important factor in a diversified funding universe, but this needs to be balanced with consideration of financial stability risks. Private credit has limited transparency and is relatively illiquid. Its growth also increases interconnections with the rest of the financial system, including banks and insurance companies, which could eventually make private credit systemically relevant.

Finally, when we talk about the need for close monitoring of developments, it also means that authorities will need to have good and up to date information to support effective supervision. Therefore, the integrated data reporting will not only alleviate the reporting burden for supervised entities (as I mention above) but will also allow us to ensure that authorities have the sophisticated information they need to monitor risks.

The final key priority I want to raise today is strengthening retail participation in financial markets and to make the investment journey simpler and more effective for European investors.

### **Empowering retail investors: simplicity, trust and access**

Under the Savings and Investments Union, retail investors are at the centre of the agenda. Deeper capital markets require broader participation, and broader participation will be a sustainable objective if investors feel that markets are accessible, understandable and worthy of their trust.

That is where our challenge lies. For many citizens, the investor journey still feels too burdensome: information is often perceived as too complex or not sufficiently comparable. Costs are not always sufficiently clear and trust in intermediaries and financial markets remains uneven.

At the same time, investor expectations are changing. People increasingly expect a more digital, intuitive and user-friendly investment journey. The regulatory framework therefore needs to support innovation in the investment experience, while keeping essential safeguards firmly in place.

This is precisely why the Retail Investment Strategy matters. Our objective is not to add complexity but to refocus the framework on better outcomes: products that deliver value, disclosures that investors can understand and investment advice that is aligned with investors' best interests.

At ESMA, we stand ready to translate these objectives into concrete action as the mandates under the Retail Investment Strategy are finalised and issued to ESMA in the new MiFID II text.

In doing so, we will aim to strike a balance between simplifying requirements where this can reduce unnecessary regulatory burden imposed on firms while preserving the safeguards that investors need. Disclosures and suitability are the two areas where this balance will be particularly important. Both are essential safeguards, but both also need to work better for investors and be manageable for firms.

On disclosures, in particular, our focus will be on making information simpler, more effective and better adapted to digital channels to help ensure investors receive the support they need when they make investment decisions.

The PRIIPs KID is a good example. From an ESMA perspective, the likely areas affected by the revisions to the PRIIPs Regulation will be the new 'Product at a glance' section, and information on performance. We will aim to replace the performance scenario with past

performance for investment funds. At the same time, in the context of simplification and burden reduction, material changes are needed for other sections of the KID, such as the costs section.

It will be important to make the KID simple and understandable for retail investors and to reduce the burden on PRIIP manufacturers to prepare the KID, for example by simplifying certain calculation methodologies.

Across this work, consumer testing will be important. It will help to ensure that simplification is not only formal, but works in practice for the people who use these documents, tools and services.

But we should be clear. Improving the regulatory framework alone will not be enough. Retail participation also depends on broader factors such as trust in markets, fair cost of products and enhanced financial literacy. All these elements are essential if investing is to become attractive and inclusive.

This is why we need to maintain our strong focus on getting to the right outcomes and keep the broader objectives of the SIU in our minds.

In the end, the success of Europe's capital markets will not be measured only by their scale or efficiency – which are of course very important – but by whether they work for the people they are meant to serve.

## **Conclusion**

Let me now bring my intervention to a conclusion.

Across all the topics I have discussed today, a common thread emerges. Whether we look at reporting, digital innovation, market resilience or retail participation, the objective is not change for its own sake, but better functioning markets that deliver in practice.

- Simplifying reporting frameworks is about reducing unnecessary burden while improving the quality and usability of data for supervision.
- Embracing innovation, such as tokenisation, is about unlocking efficiencies while maintaining investor protection and market integrity.
- Monitoring financial markets is about recognising that risks to stable and orderly markets continue to exist, and that vigilance remains essential.
- And strengthening retail participation is about ensuring that markets are not only deep and efficient, but also accessible, understandable and trusted.

None of these challenges can be addressed by regulators or industry alone. Progress will depend on continued cooperation, openness to change, and a shared commitment to delivering long-term value for investors.

If we succeed, we will strengthen the European asset management sector and contribute to the development of a truly integrated and effective Savings and Investments Union. I count on your support for the journey ahead.

Thank you very much.