



Investment Funds and Long-Term Saving

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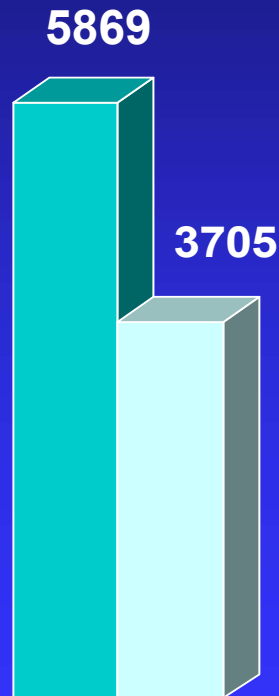
President
FEFSI

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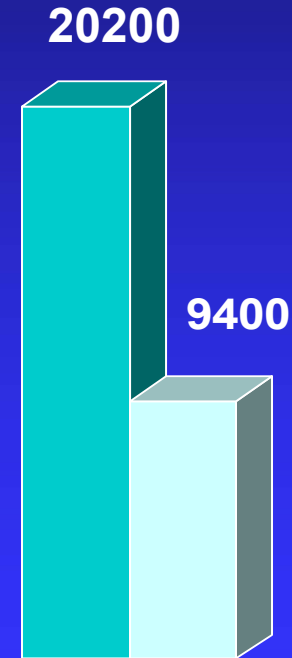
What explains the size gap between the US and the European Investment Fund Industry?

Europe (UCITS) vs. USA (Mutual Funds) - 2003

Assets under Management
(in EUR bn)



AuM per capita
(in EUR)



■ USA ■ Europe

Investment Funds have no significance in European pension saving ...

- **U.S. (end 2002):**
 - **2.1 trillion USD pension assets in mutual funds**
 - **33 % of mutual fund assets are retirement assets**
 - **21 % of retirement assets are mutual fund assets**

- **Europe:**
 - **comparable figures for Europe: 10 - 15 % (e) for both ratios**
 - **very few examples for dedicated fund-based retirement schemes in second or third pillar**

... although there is a clear case for a stronger role!

- **Functional advantages:**
mobility, institutional security, flexibility, transparency
(main requirements recommended by the European Financial Services Roundtable)
- **The principal aspect:**
level playing field with collective schemes and insurance
„give more choice and allow individuals, employers and commercial providers to determine the best type of pension to meet their circumstances“ (Pickering report)

Slow progress at national level ...

- Austria** funds are eligible instrument in new 3rd pillar scheme in force since 2003
- Belgium** pension-saving fund (specific open-ended fund) for 3rd pillar since 1986
- Finland** level playing field for funds within tax-favored 3rd pillar schemes to be proposed by government
- Germany** funds are eligible products within Riester plans for 3rd pillar
- Norway** funds may be used in tax-favored 2nd pillar schemes since 2001
- Sweden** funds are eligible products in 1st/3rd pillar schemes
- UK** 2002 proposals on the personal pensions regime could ease the use of funds for pension purposes

⇒ Obvious trend to level playing field for funds step by step - short term impact for fund assets will be limited

... but the EC pension directive provides no level playing field

- Neither funds nor fund schemes established as „ringfenced entities“ by investment managers are acknowledged as pension institutions (IORP)
- Authorization of IM Companies as IORP accepted by Parliament but not by Commission and Council
- However the Commission is requested to „... assess the possibility of extending the optional application of this directive to other regulated financial institutions“ (rec 12)

Priorities for the European Investment Industry

- Encourage development of efficient forms of „protected defined contribution“ solutions:
 - ⇒ e.g.: protection of contributions,
provision of minimum retirement income
 - ⇒ via balancing and hedging techniques
- Promote more efficient capital adequacy rules for guaranteed products
- Propose „European Personal Pension Account“

Thank you.