

## **Carmignac Gestion sponsors Investor Protection Conference at the European Parliament**

**Carmignac Gestion hosted a roundtable at the European Parliament on the 8<sup>th</sup> of November to go further in the debate on Investor Protection in the framework of MiFID II review.**

► At the invitation of MEP Markus Ferber and Jean-Paul Gauzes, a conference on Investor Protection, chaired by Jean-Baptiste de Franssu and sponsored by Carmignac Gestion, took place in the context of the ongoing discussions on MiFID II as well as the broader regulatory agenda in the context of the G20 debates.

Its purpose was to discuss both the circumstances under which financial products are being sold as well as the degree of potential complexity of Packaged Retail Investment Products (PRIIPS) and their suitability for notably retail investors.

9 panelists were gathered in two roundtables:

- first roundtable: investor protection as part of the sale process,
- second roundtable: investor protection and product design.

The panelists were: Edouard Carmignac (Carmignac Gestion), Eric Helderlé (Carmignac Gestion), Sonia Cattarinussi (AMF), Jean-Michel Van Cottem (FSMA), Stephen Crocombe (Blackrock), Johannes Muschik (FECIF), Sheila Nicoll (FSA), Guillaume Prache (EuroInvestors) and Albrecht Reihlen (DEKA).

► The view from the industry and reflected by panelist members is that all must be done to ensure that more than ever the investor is 'at the center'. To that extent, it is essential to work towards restoring trust in financial markets, an indispensable element for the success of long term savings and the financing of the economy.

But the means to make further progress differs today from country to country given the different structures of the investment markets, and particularly distribution, as well as the approach taken by local regulators.

There are indeed growing uncertainties as to the circumstances under which PRIIPS will be distributed across Europe on a country by country basis as well as rules pertaining to product supervision, even though ESMA should be playing a growing role as per the EU regulation: they are greatly handicapped by the absence of a level playing field amongst packaged retail financial products which ultimately raises the risk of regulatory arbitrage both at a country and product level.

More particularly the future of UCITS, a widely acclaimed European success based on the single market is at stake: the future of the Passport that they benefit from implies moving towards a EU level playing field in distributions and product approval rules rather than Member States' individual rules, in addition to the fact that further harmonization in product regulations remains needed.

Use of the wider range of investment strategies within UCITS is often aimed at reducing volatility and risk. Complex inputs do not have to lead to complex outcomes. However, the more complex the design, the greater the focus should be towards quality of disclosure and transparency to ensure investors understand potential outcomes. "UCITS brand is a tremendous success, recognized and envied worldwide, as it relies on the fact that it is a simple product", Edouard Carmignac stated. "The challenge we have as an asset manager

is not only to provide performance but also to provide the lowest volatility possible. There are some phases in which capital preservation is paramount. When the markets are complex, it would be very damaging if the limited use of protection measures would be restricted within running UCITS funds”.

► The key recommendations were:

1. Investor protection goes beyond prudential supervision - so more needs to be done beyond current G20 led initiatives.
2. MiFID I includes provisions which should already significantly improve investor protection in most of the fields covered by MiFID II if they were effectively enforced in a similar way across the EU.
3. Minimum standards need to be established at a pan-European level both with regards to distribution rules and product design.
4. UCITS brand offers a worldwide praised, highly regulated framework that needs to be preserved as a single brand.
5. Harmonization of the retail regulatory frame and a level playing field applicable to all retail products (whether, for example, established on a fund or an insurance basis) remains an objective at large.
6. Concerns were expressed around “complex” products, typically structured products including structured UCITS (e.g. products that should not be sold to retail investors on an execution only basis) and “overly/unnecessarily complex” products (products that should not be sold to retail investors at all). At the same time, for products using sophisticated investment techniques and strategies that are not readily understandable by retail end-investors, further transparency and disclosure are required.
7. Regulating inducements must be looked at, but on its own (i.e. without further clarification on advice, transparency, professional qualifications) will not resolve the issues that need addressing. More particularly, it is important to remember the various countries specifics and the differences that exist between the UK and other Member States’ redistribution mechanisms. Also, if inducements were to be restricted or forbidden, notably in the case of “independent advice”, it will endanger open-architecture models and multi-brand access by investors which will be detrimental to their long term savings. Finally it was reminded that inducements do play a crucial role today as to constantly improving quality of service and fulfilling duties of advisers.
8. In the longer term, financial education is key and efforts must be stepped up - no regulation can address lack of investors’ financial education.
9. Other aspects including quality of advice, professional qualifications of distributors, further transparency must also be addressed, again with a level playing field approach and leveraging from best of class principles.
10. Partnership between legislator, regulators, industry and investors as well as investors associations is key to successfully establish MiFID II so as to achieve high standards of Investor Protection.

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Founded in 1989 by Edouard Carmignac, Carmignac Gestion is one of the leading independent asset management companies in Europe today. Its share capital is entirely held by its management team and staff. In this way, the company's long-term viability is ensured by a stable shareholding structure, reflecting its spirit of independence. This fundamental value is of utmost importance to the company as it ensures the freedom required for successful and renown portfolio management.

With over 45 billion EUR in assets, Carmignac Gestion has developed a comprehensive range of 19 funds across all asset classes - equities, bonds and multi-strategy, as well as mandate offering. Our funds are actively marketed in 11 European countries: France, Luxembourg, Switzerland, Belgium, Italy, Germany, Spain, Austria, The Netherlands, Sweden and United Kingdom. Within the context of its international development, Carmignac Gestion has a subsidiary in Luxembourg and two offices in Madrid and Milan, and recently registered its range of products for professional investors in Singapore.