

16TH NATIONAL MEETING ON ASSET MANAGEMENT: DELOITTE AND INVERCO

CARLOS SAN BASILIO, CNMV CHAIRMAN

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Good morning.

Thank you very much, Alberto and Ángel, for inviting me to take part in this Meeting once again, which this year is focusing on the challenges facing the sector.

I will refrain from going back over the main figures for asset management in Spain, but let me simply emphasise once more how well the sector has performed in recent years, with assets under management now surpassing the half-trillion-euro mark. We have seen the pace of growth become somewhat more subdued over the past few months, but that's only natural after years of strong expansion.

Looking ahead, I believe a window of opportunity is opening for the asset management sector to further strengthen its position. There are several reasons for this:

1. Negotiations on the market integration and supervision package (**MISP**), a key element of the Savings and Investments Union, are now in their final stages. Overall, we anticipate that this agreement will lead to more integrated and competitive capital markets, making them more attractive to businesses and investors alike. This will undoubtedly give you all the opportunity to grow.

In the specific case of asset management, the Council reached an agreement a couple of weeks ago introducing a series of measures to **reduce cross-border barriers and complexity** for asset managers operating in the European Union. The objective is to increase legal certainty, reduce compliance costs and improve the sector's market access.

The agreement **does not grant ESMA centralised supervision** of large European asset managers, an option which was never on the table. In our opinion, this is a missed opportunity, and one that would have made perfect sense. It is important to remember that one of the characteristics of the European UCITS market is its high concentration in two jurisdictions, Luxembourg and Ireland. They account for 95% of the passports, or "exports", to other EU countries, while the remaining 25 countries are net importers. In Spain, UCITSs with passports make up 42% of the market.

Nevertheless, the European integration project clearly opens up a window of opportunity for your growth.

2. One of the initiatives that I would like to highlight, as part of this paradigm shift towards simpler frameworks, is ESMA's **integrated reporting** for both UCITSs and AIFs. The idea is to have a single set of reporting obligations at the European level, with reports submitted to just one NCA, which would forward the information to ESMA. ESMA would then store the information so that other interested bodies could access it.

At the national level, the CNMV is also working on **simplification**. Last year, we launched our first dedicated Plan and a suggestions box. This is not intended to be a one-off exercise, but rather an ongoing effort that is an integral part of how we carry out our duties. One specific element of this endeavour is the Circular we have underway, which amends four existing Circulars and repeals nine others. The simplification plan also includes other practices that we are already implementing to streamline administrative and supervisory procedures.

Our efforts to remove unnecessary burdens, and to avoid going beyond what other Member States require, are part of a wider analysis of the **competitiveness of Spain's asset management sector**. We are fully aware that some entities choose to domicile their funds in other countries, especially Luxembourg. The CNMV is looking into this issue, and we understand that Inverco is working on it as well. Our objective is, firstly, to understand the factors behind these decisions, and then to identify any obstacles that we can address to make Spain a more attractive place to domicile funds, within the scope of our powers.

3. The third development that I would like to highlight as an opportunity for the sector also happens to be one of MISP's main objectives: to increase **retail investors'** presence in capital markets. One of the key proposals for achieving this objective is for Member States to introduce individual savings accounts, if they do not already have them. In Spain's case, the recent approval of **CAIFE** and **CAIFER** is very welcome news. For our part, we are already at work to get the **Register of Eligible Collective Investment Schemes (CIS)** up and running as soon as possible.

The success of this project now hinges on the product being seen by retail investors as simple, safe and attractive.

Greater **retail investor participation** in the markets must be accompanied by stronger investor **protection**. In particular, as retail investors gain access to new products such as evergreen funds, managers and distributors must take responsibility for ensuring that they are designed and marketed appropriately. At the CNMV, we will be monitoring this closely to make sure that it happens. Entities must also be extremely careful when giving retail investors access to illiquid closed-ended products, providing them with clear and complete information so that they can make well-founded and informed decisions.

While I am on this topic, I would also like to stress that our market needs to expand its investor base not only by attracting more retail investors, but also by bringing in more **institutional investors**. I won't say too much about this, as it will be the focus of the final round-table discussion. However, the CNMV is aware of the potential impact that larger pension funds with greater investment capacity could have on capital markets.

4. The **technological advances** we are witnessing will also transform the way investment services are provided, especially when it comes to the development of **artificial intelligence**.

This is without a doubt one of the most profound transformations that the financial system has undergone in recent decades, and taking advantage of its potential will allow you to make significant strides in terms of efficiency.

All these technological developments and the use of AI must go hand in hand with the right preparations for **cybersecurity and operational resilience**, in order to mitigate the risks that they pose. On the issue of AI use, we insist that **human oversight** is necessary. In our analysis of the use of AI in investment decisions, we detected errors and hallucinations, confirming the need for such oversight.

5. I will conclude by discussing one last operational challenge: **T+1 settlement**. This is a European project, so the date (October 2027) is fixed and there is no room for delay. The change is estimated to cut the time available for operations by 80%. We just recently sent 20 entities a survey on the topic, and overall, their responses indicate that they have begun the work needed to prepare for the transition to T+1, although their levels of readiness vary. That is why we stress how important it is to perform the necessary testing well in advance and with proper planning, including for smaller asset managers. It is imperative that you start work now on the automation processes that will let you meet this challenge without facing operational or reputational risks.

Over the course of this meeting, you will be able to discuss these challenges in much greater detail. In my opinion, they present the sector with an unprecedented opportunity.

Thank you very much.