

10 June 2025

Via online submission:

<https://ec.europa.eu/eusurvey/runner/markets-integration-supervision-2025-part-1>

<https://ec.europa.eu/eusurvey/runner/markets-integration-supervision-2025-part-2>

European Commission
1049 Bruxelles
Brussels, Belgium

Re: European Commission, Targeted Consultation on Integration of EU Capital Markets

Dear Sir/Madam,

MFA¹ appreciates the opportunity to represent the views of the global alternative asset management industry in this response to the European Commission's (the "**Commission**") consultation on the integration of capital markets in the EU (the "**Consultation**").² MFA members include European and U.S. alternative asset managers, who invest heavily in European markets, including in EU listed shares and EU sovereign debt, and who provide valuable trading flows and liquidity to EU trading venues and counterparties.

MFA supports the Commission's objective of seeking to remove barriers to facilitate integration of EU capital markets. Despite the efforts of the Commission and member states in terms of harmonisation of regulatory frameworks and the existence of financial services passports, the fragmentation resulting from regulatory barriers has dampened the potential benefits of the EU's single market. Alternative investment fund ("**AIF**") managers ("**AIFMs**") that achieve economies of scale are challenged to realise the full benefits of improved efficiencies given the lack of integration of EU capital markets. We welcome the Commission's efforts to facilitate cross-border investments across the EU to help realise the promise of the Savings and Investments Union ("**SIU**").

¹ Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

² European Commission, Consultation Document: Targeted consultation on integration of EU capital markets (15 Apr. 2025) (avail. at https://finance.ec.europa.eu/document/download/8c77fb5f-4fe6-4fa0-8fe6-293a94c43b26_en?filename=2025-markets-integration-supervision-consultation-document_en.pdf).

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We appreciate the Commission's engagement with AIFMs and other stakeholders and welcome its initiatives to streamline requirements and to ensure regulation across the continent remains proportionate and appropriate, in alignment with the Commission's SIU objectives, and fosters more seamless cross-border asset management activities.

Notwithstanding the above, MFA notes that there exist several opportunities for the Commission and member states to "right-size" its regulatory framework to:

- impose more proportionate regulation relating to the rules applicable to smaller AIFMs;
- seek closer alignment with the UK and U.S. requirements in areas such as those relating to reporting of short sale and certain derivatives transactions;
- encourage greater harmonisation among EU member states for cross-border activities, in addition to affording greater reliance on the authorisation requirements of the AIFM's home jurisdiction, including situations where the AIFM is headquartered in the U.S. or UK;
- work with UK and U.S. regulators to return Annex IV reporting to its original purpose of helping regulators monitor for systemic risk and coordinate revisions to Annex IV with any revisions made to the U.S. Form PF;
- continue to foster and promote innovation in the use of emerging technologies such as tokenisation and distributed ledger technologies; and,
- calibrate regulatory supervisory obligations in a targeted, efficient manner that focuses regulatory resources on activities posing the greatest risk without adding additional, redundant layers of supervisory oversight.

MFA supports the Commission's efforts to ensure proportionality and improving regulatory clarity. We welcome further dialogue with the Commission Staff on these concerns and remain committed to contributing constructively to the development of an effective and appropriately calibrated regime for prudential regulation. We have set out our responses to the relevant questions of the Consultation in the Annex.

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MFA appreciates your consideration of our views. We look forward to working with the Commission to improve the effectiveness, clarity, and proportionality of prudential regulation. We would be pleased to discuss our concerns in further detail. Please do not hesitate to reach out to the undersigned (rhailey@mfaalts.org) or Jeff Himstreet (jhimstreet@mfaalts.org).

Yours sincerely,

/s/ Rob Hailey

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

Annex

Part 1

1.1 **Is there a need for greater proportionality in the EU regulatory framework related to the trade, post-trade, asset management and funds sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If yes, please explain and provide suggestion on what form it should take.**

MFA selects “1”, strongly agreeing that there is a need for greater proportionality related to the trade, post-trade, asset management and funds sectors.

We note that the client test is challenging to apply in the private funds context, and that the tests should be adjusted to be more useable in the private funds context.

In particular, MFA notes that a number of EU directives and regulations require reporting both from sellside firms such as banks/brokers, as well as buy-side firms such as asset managers. Examples of such “dual-sided” reporting include transaction reporting under MiFID, derivatives reporting under EMIR, securities financing transaction reporting under SFTR and wholesale energy product transaction reporting under REMIT.

MFA recommends that the European Commission (the “**Commission**”) eliminate such dual-sided reporting obligations in favour of single-sided reporting where the dealer – the party executing the transaction that is currently subject to a myriad of trade reporting obligations – is solely responsible for fulfilling the reporting obligation.

MFA is of the view that there is no need for dual-sided reporting, which is duplicative, and increases the likelihood that regulators will receive inconsistent data covering the same trade. We note that often (but not always) the executing dealer has entered into an agreement with the non-dealer (buy-side) counterparty to report transactions on the non-dealer’s behalf. From a policy perspective, the regulatory authorities will receive more than sufficient information from the sellside dealer in the transaction; the sellside dealer is usually also in a better position in terms of systems and infrastructure to gather and report information (given it has systems and infrastructure to deal with typically large numbers of clients). Imposing the reporting obligation also on buy-side firms places a considerable burden on asset managers, particularly smaller firms, with no measurable benefit. The cost associated with dual-sided reporting is a significant barrier to entry for new asset managers, which is contrary to the Commission’s stated objective of enhancing the integration of the EU capital markets and supporting their modernisation.

Finally, eliminating dual-side reporting obligations would also result in the EU being more aligned with other global financial centres including the U.S. and Hong Kong; we note also proposals currently under consideration by the UK’s Financial Conduct Authority (“**FCA**”) in relation to the scope of MiFID transaction reporting.

1.3 **Would you see a need for introducing greater proportionality in the rules applying to smaller fund managers under Alternative Investment Fund Managers Directive (AIFMD)? Please choose from 1**

(strongly agree) to 5 (strongly disagree) or ‘no opinion’. If you agree, please explain and provide suggestion on what form it should take, indicating if possible estimates of the resulting cost savings.

MFA selects “2,” noting a strong need for greater proportionality of rules applying to smaller AIFMs.

While there is no pressing need to reopen the framework in the short term, MFA recommends that the EU monitor the FCA’s efforts to reformulate its rules to be more proportionate based on the size, stratifying the AIFM universe and applying different levels of rules to different tiers. MFA suggests that the Commission and UK authorities work more closely together on such matters, as the benefits cascade to both the UK and EU where asset management rules are consistent with one another.

1.7 Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision?

MFA strongly supports greater cross-border harmonisation of member state requirements. Beyond simplification and harmonisation, MFA recommends that additional streamlining and simplification efforts be focused on reporting of net short positions under the EU Short Selling Regulation (“SSR”).

In particular, MFA recommends that the EU consider simplifying the SSR along the lines of how the new UK Short Selling Regulations 2025 will operate.

As the Commission will be aware, some of the key features of the amended UK short selling rules (which will likely come into effect in Q2 2026 after rulemaking by the FCA) include:

- public disclosure only of anonymised, aggregated net short position data by issuer, rather than individual public disclosures as is currently the case;
- the removal of restrictions on uncovered short selling of UK sovereign debt or sovereign credit default swaps, or net short reporting requirements on UK sovereign debt; and,
- the publication of a “positive” list of all shares in scope of the short selling regime, as compared with the current process of reviewing a “negative” list of exempt shares.

MFA recommends that the EU and UK short selling regimes be aligned. Many MFA member firms conduct operations both from the UK and the EU and it should not be that a short sale executed in the UK would have a different reporting regime than if the same short transaction were executed by the same firm from its Paris (as an example) location. MFA has previously commented to the Commission that it is critical that short selling reforms do not hinder the ability of market participants to engage in short sale transaction either directly (through the expansion of emergency powers to ban short selling) or indirectly (through requirements that make short selling less attractive and efficient, such as a public disclosure of net short positions).³

³ Letter from MFA to the European Commission regarding Call for Evidence re. Rationalisation of Reporting Requirements (1 Dec. 2023) (avail. at <https://www.mfaalts.org/wp-content/uploads/2023/12/MFA-Response-to-EC-re.-Rationalisation-of-Reporting-As-submitted-12.1.23.pdf>).

The benefits of short selling to the overall markets are well known, and market participants such as MFA members use short selling to manage risk and maximise returns for alternative investment fund investors such as pensions, endowments, and foundations. Short selling benefits investors and markets by improving the efficiency of price formation, improving liquidity and reducing volatility, allocating capital more efficiently and unlocking capital investment, detecting corporate fraud, and reducing risk of market bubbles.⁴

MFA believes that the new UK short selling rules help enhance an efficient capital market by protecting short selling and the well-established benefits they provide to the markets while preserving the critical, proprietary trading strategies used by fund managers. We encourage the EU to follow suit and adopt corresponding revisions to its requirements to align with the thoughtful reforms enacted previously by the UK.

1.9 Would more EU level supervision contribute to the aim of simplification and burden reduction? Please choose from 1 (strongly agree) to 5 (strongly disagree) or ‘no opinion’ and explain.

MFA selects “no opinion” in response to this Question 1.9.

Adding an additional layer of supervision would not make markets more efficient or contribute to growth of EU asset management industry. Consistency of supervision and narrow, targeted opportunities for EU-level supervision, are necessary to make markets more efficient and contribute to the growth of the EU asset management industry.

Part 3

3.4.2.105 Are there duplications and/or overlaps in the reporting requirements between national, European competent or relevant authorities?

MFA selects “Yes”.

As MFA notes in its response to Question 1.1, above, dual-sided reporting for transactions should be eliminated in favour of single-sided reporting such as that imposed by U.S. and other global regulators.

In addition to eliminating unnecessary trade reporting requirements, additional focus is warranted on the growing divergence between the reporting requirements of Annex IV for AIFMs and the Form PF, required by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Commodities Futures Trading Commission (“CFTC”) to aid U.S. regulators’ monitoring of the private funds industry for systemic or macroprudential risks. Both the Form PF and Annex IV have drifted from this original mandate, born out of the 2008 global financial crisis. MFA recommends that the Commission coordinate with the SEC to return the Annex IV to its original purpose and eliminate fields and requirements that are not directly relating to helping regulators monitor for macroprudential risks of AIFM’s investment management activities.

⁴ These benefits can be explored further in MFA’s Short Selling White Paper (available at: <https://www.managedfunds.org/wp-content/uploads/2022/04/Short-Selling-White-Paper.pdf>).

Part 4

4.2.2 **On a scale from 1 (it is inadequate) to 5 (it is adequate), do you believe that the current regulatory and supervisory set-up as regards outsourcing is adequate, and captures the risks linked to outsourcing appropriately?**

MFA selects “3”.

Additional clarification regarding outsourcing regulatory and supervisory requirements would be helpful to AIFMs. As we note, many MFA members conduct operations in the UK, EU, and U.S. and rely on delegations to affiliated entities and third parties to implement their investment theses in the management of AIFs.

4.4.27 **What other changes to the DLTPR are needed to ensure that it remains a framework that is fit for the purpose of allowing new entrants and established financial companies to deploy pioneering innovation with DLT in the EU, while also ensuring appropriate risk mitigation?**

MFA supports the distributed ledger technology pilot regime (“DLTPR”) as a means to foster innovation and embrace – with appropriate guardrails – new and emerging technologies that can benefit AIFs and their investors. Emerging technologies such as tokenisation can offer increased liquidity, smoother and more efficient settlement and transfer, and greater transparency to the markets, all while preserving the fundamental ownership rights for the investor in the underlying physical security.

4.4.31 **Do you believe that DLT is a useful technology to support trading services in financial instruments?**

MFA selects “Yes”.

MFA believes that DLT can be useful in supporting financial instrument trading activities by AIFs and other market participants.

Part 5

5.1 **Operations of asset managers**

MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. MFA members range from the largest, global fund managers operating in the U.S., UK, EU, and elsewhere, to smaller AIFMs that may be headquartered in the EU, UK, or U.S., with a smaller corporate footprint outside of its “home” jurisdiction.

To facilitate growth in the EU asset management sector more broadly, it is critical that any regulatory reform considered by the Commission works for AIFs and AIFMs of all strategies and sizes for the benefit of AIF investors. MFA member firms count as their investors the numerous pension plans, university endowments, charitable foundations, and other institutional investors. Such investors look to MFA member firms to diversify investments, manage risk, and generate attractive returns throughout the economic cycle.

5.2.1.15 Does the current authorisation process for management companies under UCITSD/AIFMD act as a barrier to the functioning of the single market?

MFA selects “Yes”.

5.2.1.17 Are you supportive of further harmonising and streamlining authorisation requirements and procedures for management companies to increase simplification and reduce fragmentation in the EU's asset management sector?

MFA selects “Yes”.

5.3.27 In the context of the EU framework, are the current passporting provisions on marketing sufficiently simple and proportionate to enable the smooth marketing of investment funds in the single market?

The passporting notification process appears to work relatively smoothly and MFA has no particular comment to make on that. However, MFA wishes to raise a policy issue for the Commission to consider.

MFA members (many of which are headquartered in the U.S.) may, as part of their European strategy, establish an EU AIFM within their corporate group or otherwise utilise a third party EU AIFM. In this structure, the EU AIFM manages an EU AIF that utilises the AIFMD marketing passport in order for that AIF to be marketed in various EU member states. That EU AIFM might delegate some portfolio management authority to the MFA member entity that may be in the U.S. (that is, the U.S. sub-manager). Given the primary investor relations function might be in the U.S., the EU AIFM might wish to have its U.S. sub-manager assist in the marketing of the EU AIF in the EU member states where the AIF has been passported.

As things stand, the U.S. sub-manager is typically not able freely to assist in the marketing of that AIF in the EU, because the activity of marketing an AIF on behalf of others could be considered to amount to one or more MiFID activities (e.g. MiFID activity A(1) – reception and transmission of orders in relation to one or more financial instruments). The U.S. sub-manager would not be authorised under MiFID since it is based in the U.S.

The result is that the EU AIFM is not able to leverage effectively the marketing resources and expertise of the U.S. sub-manager, and capital raising for that EU AIFM suffers as a result. Given that the U.S. sub-manager is managing the investments of the EU AIFM on a day-to-day basis, it is most helpful for investors to be able to speak directly with the U.S. sub-manager.

MFA respectfully asks the Commission to consider making it possible for a delegate sub-manager of an EU AIFM to be provided with the ability to be able to market the AIF on behalf of the EU AFIM, without itself having to be MiFID-authorized. This could be achieved, for example, by the Commission recognising the regulatory status of a SEC-registered investment adviser (which would be the case for the U.S. sub-manager). At the least, MFA encourages the Commission to consider the possibility of giving this ability to market by an entity that is an affiliate of the EU AIFM.

5.3.32 Are there any aspects of the cross-border distribution of funds framework (Directive (EU) 2019/1160 and Regulation (EU) 2019/1156) that have created obstacles to the marketing of investment funds?

MFA selects “Yes”.

MFA is of the view that, where an AIF is marketed only to professional investors, the marketing communications requirements in Regulation (EU) 2019/1156 should not apply. Sophisticated, professional investors often have specific information requirements, and allocating member state resources to the review of these materials does not appear to be an ideal use of scarce regulatory resources.

More broadly, given the nature of AIF marketing, which often involves EU as well as non-EU AIFMs, it would be helpful for non-EU AIFMs if the EU can make clear the application of the cross-border distribution of funds (CBDF) framework to marketing by non-EU AIFMs. The CBDF Directive leaves the application of the CBDF rules to individual member states, but the result is that the scope of application of the CBDF framework is unnecessarily complex from the perspective of non-EU AIFMs.

5.3.38 Is the notification requirement for pre-marketing of investment funds creating barriers to the marketing of investment funds in the Union?

MFA selects “Yes”.

The notification for pre-marketing of investment funds, at least as applied to AIFs offered solely to professional investors injects unnecessary cost and delay into the offering process. To the extent the pre-marketing notification requirement is maintained, MFA observes that it would be helpful from the perspective of non-EU AIFMs if there were a single form or template that could be used by a non-EU AIFM to make the pre-marketing notification, rather than having the non-EU AIFM: (i) work out whether the relevant EU member state applies the pre-marketing requirements to non-EU AIFMs (see our response to Item 5.3.32 above); and then (ii) use a local notification process (which may involve an email process in one member state, and an online portal in another).

5.5.45 Do you consider that there is scope to streamline authorisation and supervision of asset managers operating in groups by reducing duplication, lowering operational costs, and save resources across entities within a group?

MFA selects “Yes”.

MFA notes that many larger asset management groups are composed of multiple affiliated managers, being AIFMs, UCITS management companies, MiFID portfolio management firms or a combination of the foregoing. MFA recommends that the Commission explore a consolidated “group” level license for such firms where they could receive a single set of authorisations covering each requested AIFM and AIF within the enterprise to encourage larger more sophisticated firms to expand operations in the EU to further the goals of the SIU.

Please see our views at the end of our response to Item 5.3.27 above (on the ability of a group affiliate of an EU AIFM to be able to market that EU AIFM's AIFs without being MiFID authorised).

Part 6

6.1.2 What prevents the ESAs from reaching the objectives or performing the tasks listed in Question 1? Please explain your answer.

MFA recommends that the EU supervisory requirements be more appropriately tailored to the specific risks presented by a particular AIF or AIFM. AIFMs that manage funds which offer AIF shares privately to sophisticated, institutional investors do not merit the same degree of regulatory scrutiny as a UCITS offered publicly to retail investors and which promises daily redemptions. Recalibrating the degree of supervisory oversight based on the nature of the investments (public versus private) and the investors (professional versus retail) also will afford regulators the opportunity to more appropriately focus regulatory resources.