

Module	European Union Asset Management
Jurisdiction	European Union (EU)

Module Application

Does the investment firm meet ongoing operating conditions and prudential requirements in accordance with EU directives and Member State legislation?

Does the investment firm implement appropriate risk management practices, protect investors, and adhere to prescribed investment restrictions for specific fund types such as UCITS, AIFs, ELTIFs, MMFs, EuVECAs, and EuSEFs?

Does the investment firm prepare and publish compliant prospectuses, meet reporting obligations to authorities, and provide required disclosures to investors?

Does the investment firm comply with specific requirements related to short selling, securities financing transactions, and the marketing of regulated fund types?

Module Scope

The European Union (EU) has established a comprehensive regulatory framework for asset management to ensure investor protection, market stability, and the creation of a harmonised EU-wide market for investment services. This framework applies to investment firms engaged in asset management activities across the 27 EU Member States.

The EU Asset Management module outlines the compliance obligations for investment firms operating in the EU asset management industry. It covers the requirements set forth in key EU directives and regulations, including MiFID II, IFR/IFD, UCITS Directive, AIFMD, ELTIF Regulation, and other relevant instruments. While Member States transpose these directives into national law, this module focuses on the baseline requirements that apply across the EU.

The EU Asset Management module encompasses a range of legislative resources including:

- › Markets in financial instruments directive (MIFID II)
- › Markets in financial instruments regulation (MiFIR)
- › Undertakings for collective investment in transferable securities (UCITS) directive
- › Alternative investment fund managers directive (AIFMD)
- › Investment firms regulation and directive (IFR/IFD)
- › European long term investment fund regulation (ELTIF)
- › Short selling and certain aspects of credit default swaps regulation
- › Money market fund regulation (MMF)
- › Transparency of securities financing transactions and of reuse regulation
- › European venture capital funds regulation (EuVECA)
- › European social entrepreneurship funds regulation (EuSEF)

Investment firms must navigate a complex regulatory landscape that encompasses various aspects of their operations, including:

- › **Authorisation and operating conditions:** Investment firms must obtain and maintain appropriate authorisations, meeting ongoing requirements related to legal form, capital, organisational arrangements, and management.
- › **Prudential requirements:** Firms must adhere to prescribed own funds, capital, and liquidity requirements, which vary based on the firm's classification under IFR/IFD.
- › **Risk management:** Investment firms are required to implement robust risk management practices, including the establishment of dedicated risk management functions for certain fund types.
- › **Investor protection:** Firms must ensure fair treatment of investors, provide clear and non-misleading communications, and adhere to specific conduct rules.
- › **Fund-specific requirements:** The module covers unique restrictions and requirements for various fund types, including UCITS, AIFs, ELTIFs, MMFs, EuVECAs, and EuSEFs. These encompass investment policies, asset allocation, diversification, and specific operational rules.
- › **Reporting and disclosure:** Investment firms must meet regular reporting obligations to competent authorities and provide prescribed disclosures to investors.
- › **Prospectus requirements:** Firms must prepare and publish compliant prospectuses when offering securities to the public or seeking admission to trading on regulated markets.
- › **Short selling and securities financing transactions:** The module addresses specific obligations related to these activities, including position calculation, reporting, and collateral management.

By adhering to these regulatory requirements, investment firms can ensure compliance with EU asset management regulations, protect investors, and contribute to the stability and integrity of the European financial markets. Non-compliance may result in significant consequences, including regulatory sanctions, financial penalties, reputational damage, and potential criminal charges for unauthorised activities.

This module serves as a comprehensive guide for investment firms to understand and implement the necessary measures to meet their regulatory obligations in the EU asset management landscape.

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