Germany Country Report

1. Economic and Financial Background

Table 1: Key economic and financial indicators		
	2015	**2016**
Population (million)	81,4	81,4
GDP (EUR billion)	3,032.8	3,132.7
Real GDP growth (%)	1.7	1.9
Inflation rate (%)	0.3	0.5
Unemployment rate (%)	6.4	6.1
Stock market capitalisation (EUR billion)	1,570.3	1,630.4
Stock market capitalisation (% of GDP)	51.8	52.0
Bond market capitalisation (EUR billion)	3,046.162	3,068,1
Bond market capitalisation (% of GDP)	100.4	97.9
Household gross savings ratio (%)	9.7	9,7
Household financial wealth (EUR billion)	5,341.6	5,585.5
Average per capita financial wealth (EUR)	65,622	68,618

Source: Deutsche Bundesbank, Statis (*Statistisches Bundesamt*)

2. Key Trends in the Global Market

Table 2: Net Assets by the Funds Industry in Germany (EUR billion)					
	2013	**2014**	**2015**	**2016**	**Jun 2017**
Home-domiciled UCITS & AIF	1,404.26	1,581.49	1,729.23	1,885.94	1,968.39

Funds domiciled abroad and promoted by national providers	291.1	334.4	383.8	396.61	422.19
Total AuM	1,695.4	1,915.3	2,114.0	2,282.55	2,390.58

Source: BVI

Table 3: Net Sales of Investment Funds in Germany (EUR million)					
	2013	**2014**	**2015**	**2016**	**Jan-Jun 2017**
Home-domiciled UCITS & AIF	87,116.5	94,418.29	148,376.3	110,597.2	55,606.9
Foreign domiciled funds promoted by national providers	7,403.6	27,674.30	41,421.5	-7,249.6	20,141.7
Total net sales	94,287.2	122,092.6	189,797.8	103,347.6	75,748.6
Foreign-domiciled funds promoted by foreign providers	1,428.1	1,794.2	1,597.1	1,543.7	1,383.7

Source: BVI

In June 2017 the assets under management of home-domiciled UCITS and AIFs grew by 4.4 percent since the end of 2016 reaching the amount of EUR 2.0 trillion after EUR 1.9 trillion at the end of last year. This was mainly due to the fact of high overall net sales. Including funds domiciled abroad and promoted by national providers the growth rate of AUM was 4.7 percent in mid-2017 compared with the end of 2016. AUM grew to EUR 2.4 trillion. Inflows of these foreign domiciled funds of EUR 20.1 billion are the cause for the higher growth of the total industry in comparison to the home-domiciled products. Also the real foreign funds show inflows of EUR 1.4 billion. Nevertheless investors and especially institutional investors were mainly interested in German fund products in the first half of 2017.

With 2016 it is the third year in a row with net inflows above EUR 100 billion for the German funds. After the all-time high of net sales in 2015 (EUR 190 billion) the EUR 103 billion of 2016 represent again a good year for the German fund industry. In the last 5 years together net sales reach in total more than EUR 600 billion which matches nearly one third of the AUMs at the end of 2016. Inflows of German funds in the first half of 2017 reached half of the inflows of 2016. If this trend goes on, we will reach another year with more than EUR 100 billion of net sales.

3. Key Trends in the UCITS Market

Table 4: UCITS Assets by Fund Type (EUR billion)			
	2015	2016	Jun 2017
Equity funds	167.24	176.22	189.71
Bond funds	61.95	65.47	66.86
Multi-assets funds	64.45	71.03	79.90
Money market funds	2.90	2.54	2.42
Guaranteed/protected funds	0.17	0.18	0.18
Absolute Return Innovative Strategies (ARIS) funds	2.36	3.28	3.26
Other	10.78	9.77	9.42
Total	309.85	328.48	351.75
of which			
ETFs	48.09	48.78	52.21
Funds of funds	15.11	17.60	23.00

Table 5: Net Sales of UCITS by Fund Type (EUR million)			
	2015	2016	Jan-Jun 2017
Equity funds	8,923.11	4,604.75	3,078.38
Bond funds	1,488.69	3,163.57	1,959.69
Multi-asset funds	12,971.17	5,490.18	6,315.84
Money market funds	379.70	-285.22	-177.20
Guaranteed/protected funds	23.70	13.79	3.08
Absolute Return Innovative Strategies (ARIS) funds	80.40	121.16	7.44
Other funds	171.58	-137.69	-104.27
Total	24,038.36	12,970.56	11,082.96
of which			
ETFs	7,170.88	-11.13	1,480.88

FOFs	2,264.05	2,435.26	802.67

Only the assets of equity funds, bond funds and multi-asset funds show an increase in assets under management (AUM) in the first half of 2017 compared with the last year's end. As in the year before the biggest winners were equity (+ EUR 13.5 billion) and balanced funds (+ EUR 8.9 billion). Bond funds grew again with EUR 1.4 billion to EUR 66.9 billion. They stayed the third largest asset class after equity with EUR 189.7 billion and balanced funds with EUR 79.9 billion.

Looking at the net sales from January to June 2017 the ranking of these asset classes is different. While balanced/multi asset funds attract EUR 6.3 billion of investor's net sales, equity funds followed on second place with EUR 3.1 billion and bond funds on third position with EUR 2.0 billion.

4. Key Trends in the AIF Market

Table 6: AIF Assets by Fund Type (EUR billion)			
	2015	**2016**	**Jun 2017**
Equity funds	87.76	96.97	103.19
Bond funds	359.85	388.97	392.95
Multi-asset funds	749.07	813.40	833.71
Money market funds	6.26	5.21	5.31
Guaranteed/protected funds			
Absolute Return Innovative Strategies (ARIS) funds	1.15	0.98	2.14
Real estate funds	137.95	150.70	157.12
Other funds	77.33	101.23	119.46
Total	1,419.38	1,557.45	1,613.88
of which:			
ETFs			
Funds of funds	58.30	68.97	74.88
Institutional funds	1,309.27	1,443.18	1,500.09

Table 7: Net Sales of AIF by Fund Type (EUR million)			
	2015	**2016**	**Jan-Jun 2017**
Equity funds	6,909.19	8,573.81	2,821.54
Bond funds	13,871.35	13,687.75	8,457.78
Multi-asset funds	78,022.85	44,770.91	17.226.39
Money market funds	-58.58	-1,175.49	-0.10
Guaranteed/protected funds			
Absolute Return Innovative Strategies (ARIS) funds	-85.85	-207.49	-160.87
Real estate funds	8,857.86	12,112.45	6,820.96
Other funds	16,821.07	19,864.66	9,358.24
Total	124,337.90	97,626.60	44,523.94
of which:			
ETFs			
Funds of Funds	9,944.46	9,963.51	4,757.25
Institutional funds	119,380.97	93,358.42	40,465.23

At the end of June 2017, 82 percent by volume of the German investment funds were AIFs. Of the EUR 1,613.9 billion AUM only EUR 113.8 billion were assets of retail funds. EUR 1,500.1 billion are managed in funds only available for institutional investors called “Spezialfonds”. Due to the fact that most of these funds are held by insurance companies or pension funds, the share of equities is quite low because of regulatory restrictions. Therefore it takes no wonder that more than 50 percent of the AUM of AIFs is held in balanced funds and another quarter in bond funds.

Year by year real estate funds were a growing segment. Since the end of 2014 the AUM of this asset class got up from EUR 127.7 billion to 157.1 billion at the end of June 2017. EUR 87.8 billion are invested in retail funds and EUR 69.3 billion in institutional funds.

The net sales of AIFs for retail investors in the first six months of 2017 were EUR 4.1 billion compared with the EUR 40.5 billion of institutional investors. But these EUR 4.1 billion are nearly the same figure as the net sales of retail AIFs in the complete year of 2016. With the total of EUR 44.5 billion AIFs did not reach half of the result of 2016, but usually net sales of institutional funds especially were better in the second half of a year. From January to June of this year all asset classes except two had inflows between EUR 17.2 billion (balanced funds) and EUR 2.8 billion (equity funds). The two with outflows are Absolute Return Innovative Strategies (ARIS) funds (EUR 0.2 billion) and money market funds (EUR 0.1 billion).

5. Trends in the Number of Funds

Table 8: Number of Funds			
	2014	**2015**	**2016**
Home-domiciled UCITS	1,643	1,739	1,754
➢ **Funds**	1299	1311	1,288
➢ **Units**	294	322	327
➢ **Classes**	636	750	793
Home-domiciled AIF	4,201	4,192	4,257
Foreign funds (ISINs) registered for sales	9,349	9,561	9,890
➢ **By national promoters**	3,267(1)	3,430(1)	3,611(1
➢ **By foreign promoters**	6,082	6,131	6,279
Fund Launches	466	443	448
Fund Liquidations	466	381	348
Fund Mergers (of which UCITS)	81 (21)	112 (39)	104 (34)

Number of unit holders in millions

(1) Only ISINs which are part of the BVI statistics

Source: BVI, BaFin

The number of investment funds domiciled in Germany grew by 80 in 2016 (2015: 87), of which are 15 UCITS and 65 AIFs. The number of share classes rose from 750 to 793, while the number of units only grew by 5 to 327. The number of funds launches in 2016 was higher (448) than the number of fund liquidations (348). It was again above 100 as in the last year. 34 of 104 funds merged with UCITS.

At the end of 2016 the number of foreign funds registered for sale in Germany rose to 9,890 – 329 more than at the end of 2015. 3,611 funds or 37 percent of all foreign funds were launched by national promotors. This is 181 more than in 2015. The figures show that there is an ongoing interest of foreign and national promotors to come to the German market with investment funds launched abroad.

6. Household Savings Allocation

Table 9: Main Assets of Households (EUR billion)					
	2012	**2013**	**2014**	**2015**	**2016**
Currency & Deposits	1,847.6	1,914.0	1,997.9	2,094.7	2,200.8
Debt securities	200.1	179.0	162.2	139.8	127.4
Quoted shares	446.8	487.6	508.9	555.9	590.5
Life & Pension funds	1,769.2	1,855.5	1,934.9	2,029.3	2,113.4
Investment funds	373.4	398.3	442.5	484.8	517.8
➢ **Direct ownership**	-	-			
➢ **Via life ins. policies**	-	-			
Other	37.1	36.7	35.8	37.1	35.6
Total financial assets	4,674.2	4,871.2	5,082.2	5,341.6	5,585.5
Total net wealth	4,674.2	4,871.2	5,082.2	5,341.6	5,585.5

Source: Deutsche Bundesbank

Table 10: Net Asset Acquisition by Households (EUR million)					
	2012	**2013**	**2014**	**2015**	**2016**
Currency & Deposits	74,420	66,590	83,800	96.600	107.000
Debt securities	-17,390	-17,810	-18,000	-17,500	-12.300
Quoted shares	-80	-410	12,170	15,000	18.100
Life & Pension funds	76,900	74,540	75,720	82.700	84.300
Investment funds	-3,420	10,040	24,700	31,400	24.200
Other	16,990	13,090	-21,110	-24.300	-26.500
Total financial assets	147,410	146,040	157,280	183.900	194.800

Source: Deutsche Bundesbank

The German household savings reached a new high with EUR 5,586 billion in 2016. It topped the last year's result of EUR 5,342 billion by EUR 244 billion or 4.6 percent. The assets invested in investment funds showed a steady growth since 2011. The EUR 517.8 billion in 2016 were 9.27 percent of the total financial wealth (2015: 9.08 percent). Life and pension funds keep the second place with EUR 2,113 billion behind currency & deposits with EUR 2,200 billion. With net asset acquisition by households it was the same situation: currency and deposits on first place with EUR 107 billion, life and pension funds on second with EUR 84 billion. The steady growing net acquisition of this segment since 2013 from EUR 75 billion to EUR 84 at the end of last year is a good sign for the investment funds industry. Insurance companies and pension funds are the main stakeholders using "Spezialfonds" for investment purposes. A large percentage of this money is indirectly managed by investment fund professionals for private persons.

Another process noticed last year went on. Debt securities declined since 2011 from EUR 211 billion to EUR 127 billion in 2016. On the other hand quoted shares climbed up from EUR 404 billion (2011) to EUR 591 billion (2016).

The total net acquisition by household in 2016 reached a new all-time high with EUR 195 billion, which was EUR 11 billion more than in 2015. Investment funds with EUR 24 billion had a share of 12.4 percent of the total net acquisition by households. Quoted shares reached EUR 18 billion, while debt securities saw a steady outflow since 2011 with EUR 12 billion in 2016. This shows an interest of households looking for an opportunity to get higher yields. Nevertheless currency and deposits as well as life and pension funds accounted again for the biggest piece of the net acquisition in 2016.

7. Regulatory Developments

- **AIFMD**

According to article 69 of the AIFMD, the first review of this Directive is to start in July 2017. BVI has developed a concept for further distinguishing the broad range of AIFs. In our view, it would make sense to define a subset of AIFs which apply certain limits to leverage (so-called "Low Leverage AIFs") and to extend the EU passport for such AIFs to a new category of "semi-professional investors". This would also support the goals of Capital Market Union to enhance cross-border distribution and facilitate capital market investments from new groups of investors.

As regards cross-border distribution, BVI welcomes the Commission's initiative to take down the existing barriers in relation to both AIF and UCITS marketing across the EU. In our view, some of the persisting deficiencies such as common definitions on pre-marketing, marketing and private placement could be tackled by Level 3 measures and thus may be easy to achieve. While ESMA should not be considered universally responsible for dealing with any shortcomings, we believe it can provide valuable guidance and serve as an information hub for all NCAs and market participants. In consequence, we see the case for further harmonising the marketing standards for investment funds making use of the EU passports for marketing their units cross-border.

Significant improvement for which legislative action might be required would further comprise:

- Defining a European semi-professional investor type, e.g. by drawing a parallel to the EuSEF and EuVECA Regulations and expanding the AIFMD passport regime to that new investor type.
- A system where all NCAs would have to rely on approval and information provided by the home Member States' NCAs.
- Allowing for a private placement regime for all types of funds.
- Improving the European transaction processing landscape for funds, e.g. by further harmonisation and standardisation in trading, clearing, settlement, custody, asset servicing (including identification of investors and distributors) of fund units and shares.
- Streamlining the notification process, i.e. by providing clarity about suspension of notice period in case NCA requests further amendments and by investigating whether UCITS should at all undergo the notification process for cross-border marketing since they have been authorised in one Member State in accordance with the harmonised rules of the EU UCITS regime.

- **MiFID II / MiFIR**

Open-ended real estate funds are the dominant type of open-ended retail AIFs, which, according to ESMA, are by definition considered complex. For these funds, however, a shift to UCITS is precluded since real assets are not eligible for a UCITS. Besides open-ended real estate funds, there are only a small number of open-ended retail AIFs available. We have seen a shift in open-ended retail AIF other than real estate funds to UCITS structures already under the AIFMD implementation. For securities funds, the difference between UCITS and AIFs regarding eligible assets and investment limits decreased.

The question how asset managers in Germany will finance research in future remains a business decision. Legally, MiFID II rules only apply to management companies for segregated accounts and in case they act as portfolio manager for another management company. Since the market will shift due to the new rules for MiFID firms, brokers will at least partly price their research in future separately; this will also have an impact on the payment of research by management companies. BaFin therefore agreed that management companies will be allowed to deduct research costs from the fund's assets as expenses up to a maximum determined by the management company in the fund rules. Besides this, research costs could also be included in the management fee or a cost lump sum.

- **ELTIF**

We are not aware that any ELTIF has been launched in Germany. From the perspective of professional investors such as insurance companies, the regulatory conditions for investing in ELTIFs are not yet attractive. ELTIFs feature no distinct advantage for professional investors as compared to “ordinary” AIFs, since it is already possible to launch professional infrastructure funds under the AIFM framework, particularly as “Spezialfonds”, and to market them cross-border under the AIFMD passport without being subject to restrictions on the range of eligible investments and the fund’s lifetime.

- **IFRS 9**

IFRS 9 will be implemented on 1 January 2018 and brings about changes to how long-term investment can be accounted for. BVI shares EFAMAs concerns that these accounting changes may lead to institutional long-term investors switching from funds to segregated mandates. BVI keeps observing these developments.

- **EMIR**

The EU Commission agreed to extend the clearing obligation for small financial counterparties (category 3) until 21 June 2019. BVI supports such an approach to relieve small financial counterparties (UCITS/AIFs) with a limited clearing volume from the clearing obligation. BVI strongly shares the evidence that for the smallest financial counterparties with a limited clearing volume such as UCITS/AIFs (category 3) it is economically unfeasible to fulfil the clearing obligation.

Highly regulated German investment funds (UCITS/AIF) belong mainly to clearing category (3) albeit a few funds are above the EUR 8 billion threshold calculated individually at fund level and are therefore classified within category (2). Our small and medium-sized members with a limited volume of clearing activity face difficulties to find clearing members and to set up legal and operational arrangements with them for accessing a CCP. The negotiation power of such financial counterparties is limited when interacting with clearing members. Furthermore, clearing members are less willing to offer client clearing services beyond their most important and biggest clients largely due to the stringent capital requirements applicable to them (e.g. BCBS Leverage Ratio).

Due to the low number of transactions and the limited clearing volume executed by our small and medium sized members, using a clearing member will become disproportionately more expensive as the high basic fees are calculated independently of the transaction. Some clearing members do not offer a cost-effective client clearing model which is a good offer for our small and medium-sized member firms.

Some German management companies have already significantly invested in the clearing infrastructure to obtain indirect clearing access through a clearing member to a CCP before the compliance deadline. Such management companies have already successfully tested the CCP clearing of e.g. the eligible IRS products and are therefore ready to start the mandatory clearing set in the RTS for category (3). Hence, financial counterparties (e.g. UCITS/AIF management companies) belonging to category (3) should be able to (further) clear the envisaged IRS/CDS products through a CCP on a voluntary basis before the clearing obligation takes effect and should not be prevented from doing it. An obligation to provide the service "at cost" would even more help to enlarge the clearing market.

- **NEW - Securities Financing Transaction Regulation (SFTR)**

The Securities Financing Transaction Regulation defines transparency and reporting rules to respect when using repos and securities lending transactions. BVI members will implement the reporting obligation for UCITS/AIFs.

- **Benchmarks**

The Benchmarks Regulation has already entered into force and the majority of its provisions will be applicable as of January 2018. As regards the Level 2 measures, the Commission will soon publish a consultation on the delegated acts and ESMA has already finalised its RTS, both of which (delegated acts and RTS) will be submitted to the European Parliament and the Council for the final adoption.

Our members will start to implement the requirements.

- **Responsible Investment**

Besides the implementation of European legislation such as the non-financial disclosure requirements, there have not been any developments relating to the legal framework on responsible investment in Germany.

BVI revised its Rules of Conduct in 2016.[1] Following a new approach, BVI members have to either comply with the rules or explain any deviation. The BVI guidelines for responsible investment were incorporated in the Rules of Conduct and strengthened. A new chapter of the Rules of Conduct now comprises requirements regarding responsible investment, ESG funds and engagement.

[1] www.bvi.de/fileadmin/user_upload/Regulierung/BVI_Wohlverhaltensregeln_en.pdf.

- **Corporate Governance**

Minor amendments to the stock corporation act came into force in 2016, however, this did not comprise significant changes to the corporate governance environment. Beside the BVI Rules of Conduct which also strengthened the understanding of shareholder engagement for BVI members, a private initiative released guiding principles for the dialogue between investors and German supervisory boards.

- **Shareholders' Right Directive**

Shareholder engagement has already been discussed in Germany during the last few years. Recently the German Corporate Governance Code was amended, recognising shareholder engagement. Whether the Shareholders' Rights Directive will have a significant impact on the long-term engagement cannot be foreseen today. We believe that it will generally facilitate the discussion.

8. Pensions

Personal pensions

From January 2016 to the end of June 2017 the number of investment fund based Riester pensions rose by 70,000 contracts. While building loan contracts also showed growing sales figures, insurance contracts and bank saving plans decreased in a moderate way. By end of June 2017, the total number of investment fund based saving plans amounted to 3,195,000 contracts. Considering an existing saturation of the market, negative media coverage in foregoing periods and continuously low interest rates, declining sales figures were not surprisingly. Currently 19 percent of the 16.5 million Riester contracts are investment fund based products. "Riester" pension is a third pillar pension product enjoying state support through matching state contributions and tax benefits.

On 1st of July 2013 a new statute ("Altersvorsorge-Verbesserungsgesetz"), aiming at improving certain aspects of state supported private pension contracts, entered into force. A vital objective of this initiative is the implementation of a standard information document for all types of state supported private pension products ("Riester" and "Rürup" contracts) in order to enhance transparency in the private pension market. Obligatory application of the new information document was on 1st of January 2017.

The latest refom package, which aims to boost occupational pension coverage, also contains amendments regarding Riester pensions. The main issues are described below.

Occupational pensions

From 2018, a new legal framework – the Betriebsrentenstärkungsgesetz – will come into effect.

- In future, occupational pension plans can be set up without guarantees as part of collective bargaining agreements (so-called social partner model). It is even forbidden for the employer, pension provider or any third parties to give the plan members a guarantee. Up to now defined contribution plans have not been possible in Germany.
- Another important improvement is auto-enrolment. The new framework creates legal certainty for employers and social partners to automatically enrol employees in a pension plan if they are given an opting-out solution. In addition, the maximum tax-free contributions are increased as well as subsidies for integrating low-income workers into occupational pension plans and for setting up plans at SMEs are introduced. Also the government subsidies provided under the personal pension product "Riester" are raised.
- Further, low-income pensioners get allowances for occupational and personal pension income so that this income is not fully deduced from the minimum income provided by the state.

9. Tax Rules, VAT Rules and Double Tax Treaties

In 2016, the legislator introduced a completely new tax regime. While many technical details remain to be clarified, the following key principles shall apply for mutual funds from 2018:

- new "intransparent" tax regime
- funds (domestic as well as foreign) will be subject to corporate taxation (15 %) on domestic dividends, income/gains from domestic real estate and domestic income which is subject to limited tax liability in Germany; other income and gains are not subject to taxation on fund's level
- for accumulating (non-distributing) funds: lump-sum taxation at investor level with an amount of 70% of the German basic interest rate (e.g. today around 0,6%)
- in case of an equity fund (i.e. investment in equities at least 51%), a certain percentage of the distribution, the lump-sum and the capital gains from the sale of the fund units are tax exempt at investor level (30% natural persons; 80% institutional investors)
- in case of a real estate fund (i.e. investment in real estate at least 51%), 60% of the distribution, the lump-sum and the capital gains from the sale of the fund units are tax exempt at investor level (respectively 80% if at least 51% investment in foreign properties)
- fund distributions (generally subject to flat rate WHT of 25%) reduce the lump-sum, lump-sum reduces capital gains in case of redemptions/sales of fund units.

10. Investment Management Governance

BVI has adopted its revised “BVI rules of conduct” in 2016. In addition to their legal obligations, asset managers should observe the voluntary principles and codes set forth in the rules of conduct. They inform their investors in a suitable manner as to whether and to what extent they comply with these rules of conduct. They may deviate from these rules of conduct but are obliged to disclose any such deviations on an annual basis and explain them („comply or explain“). This enables asset managers to respond flexibly to company-specific or investor-/investment appropriate requirements. The rules of conduct apply to the management of both open-ended and closed-ended funds. To the extent that individual rules are not applicable in view of the respective investment strategy (such as benchmark-oriented investing or property investments), business activity or organisational structure, deviations do not need to be explained separately. The new rules of conduct have entered into force by 1 January 2017 but with a transitional period of nine months.

In January 2017 BaFin published its revised Circular on minimium requirements for risk management for investment management companies (InvMaRisk, now KAMaRisk).
https://www.bafin.de/SharedDocs/Downloads/DE/Konsultation/2016/dl_kon-1116_clean.pdf?__blob=publicationFile&v=3

Numerous passages are deleted as there are now statutory regulations in the German Investment Code (KAGB) and in the Delegated Regulation (EU) No 231/2013. Minimum requirements for the risk management of AIF investment firms which loan money for account of the AIF or invest in non-securitised loans have been newly added (Section 5).

11. Fund Standards and Distribution

In 2016, BVI continued its work on the new FundsXML 4.0 version together with colleagues from Austria, Denmark, France, Luxembourg and the Netherlands. This new version was published in February 2017. It includes the data items of the Tripartite Template for Solvency II reporting and the latest at that time available version of the EPT/CEPT for PRIIPs. The new schema uses a modular concept which allows the easy integration of new data requirements with a specific node as well as the limitation of data items which are only of relevance for selectable use cases. The work on the schema will go on during 2017 to integrate the latest regulatory reporting requirements of PRIIPs, EMIR and MiFID II.

BVI is very active in the following standardisation areas with respect to identifiers:

- LEI
- UTI

• UPI

11.2. Distribution

MiFID II will have a significant impact on the distribution activities in Germany. MiFID firms dominate distribution of investment funds. IFAs, which are as of today exempt from MiFID, will remain so in future; equivalent rules have been and will be implemented though. Consequently, the market is preparing for the MiFID implementation with a specific focus on the target market requirements as well as the cost transparency where distributors in particular require the management companies’ support. Some of the German distributors cover a significant number of different financial instruments. Whether MiFID II will require them to reduce their product range remains to be seen.

12. Other Activities of the Association

Domestic lobbying activities

In September 2017, Germany elects the members of the 19th German Bundestag and therefore a new German Federal Government. In 2016, even one year ahead of the election, political parties in Germany started to define their visions of Germany’s future. And very soon it became obvious that the Christian Democratic Union (CDU), their smaller counterpart the Christian Social Union (CSU) and the Social Democratic Party (SPD) which all three form the reigning grand coalition would seek no further term together. Instead the unfolding political campaigning emphasises the divergences that had been left untouched for almost three years. BVI therefore is well aware of possible negative narratives concerning financial regulation and monitors the process thoughtfully while promoting its own view on regulatory key areas. In particular we advocate for the need to maintain the competitiveness of investment funds via a level playing field with other financial products and to further improve the quality of information provided to consumers of investment products, funds and unit-linked insurance policies. In addition we strongly criticise the prospects of inappropriate taxation of investment funds and support initiatives to eliminate and avoid over-regulation. BVI is committed to remain proactive in the election process and to keep working with all political stakeholders to reach the best possible regulation for the investment fund industry in Germany.

Conferences, seminars and workshops

Seminars, conferences and workshops play a vital role for our members. In 2016 and in the first half of 2017 we arranged more than 700 meetings in Frankfurt with 16,500 participants. The number of seminars amounted to more than 100 including 22 webinars for around 1500 users. BVI also arranges three to four high level conferences in Frankfurt, Berlin and Brussels, among them the BVI Asset Management Conference, the Fund Operations Conference and our Brussels and Berlin receptions. Speakers range from politicians, economists to EU officials.

The BVI’s investor educational initiative: Hoch im Kurs

The BVI investor educational initiative „Hoch im Kurs“ aims to foster financial education especially among young people. The initiative started in 2006 and is designed to provide teachers and students alike with basic information on economic interrelations and capital markets. BVI brings together schools and financial experts who are talking about financial topics such as money management or how to provide for retirement. Since the beginning of 2016 the matching process is handled automatically with online registration forms. About 750 schools have already booked an expert.

Surveys

Research in the field of corporate governance assessed the extent to which BVI’s voting guidelines had been observed in general meetings by public limited companies. The study has exposed the need for further efforts in order to improve corporate governance by some issuers.

BVI’s website

The English website www.bvi.de/en comprises five sections which provide information about latest news, capital investment, regulatory issues and statistics on the German fund market as well as about BVI and its members.

Publications

The BVI’s offer in terms of publications comprises informative brochures, edited versions of the German Capital Investment Code as well as of other relevant legal texts:

- Annual report “BVI 2017. Data. Facts. Perspectives.“: In addition to key statistical data on the investment industry in Germany, the report offers insights into the association and its political work.
- "BVI. Advise. Arrange. Communicate." provides information on the services and performance of our association.
- "Open-ended mutual funds. Flexible and protected from insolvency." contains basic information about mutual funds.
- "Mutual funds and retirement savings" provides information about the role of open-ended investment funds in pension plans.
- The compilation of legal texts "Investment Law 2016" comprises the German Capital Investment Code (volume 1), national and EU regulations (volume 2) and other EU sources of law (volume 3).

- The compilation of legal texts “Investment Tax 2016” contains the Investment Tax Law coming into effect 2018 and other national and international sources of tax law.
- Given the huge changes awaiting the industry through the investment tax reform 2018 for funds the BVI decided to release the brochure “Investment tax reform compact” highlighting the key points of the reform. Updates can also be found online.
- "Open-ended mutual funds. Flexible and protected from insolvency." contains basic information about mutual funds. We are currently working on a relaunch of the brochure, which is planned to be published in Q4 2017.

These and other BVI publications can be downloaded from the website and some of them ordered as printed version. The brochures are available in German language only.

BVI Consumer Protection Efforts: Ombudsman Scheme for Investment Funds

The Ombudsman Scheme for Investment Funds of BVI stands for independent and impartial consumer dispute resolution. It was launched in 2011 and provides for the out-of-court dispute settlement between consumers and providers of German retail investment funds.

The so-called Funds Ombudsman is a vital part of BVI’s activities to improve consumer protection and to restore and maintain confidence in the financial markets. Based on the EU Directive on Alternative Dispute Resolution (ADR) and the Regulation on Online Dispute Resolution (ODR) it offers a high standard, easily accessible, efficient, fast and cost saving dispute resolution procedure to retail investors.

As arbitrators BVI has appointed two formerly high-ranking judges in consultation with the German Federal Office of Justice and the Federation of German Consumer Organisations (vzbv). The arbitrators and their staff act independently and are not bound by any instructions neither from BVI nor the industry. The arbitrator´s office is located in Berlin. The arbitration itself is subject to a special code of procedure which has been approved by the German Federal Office of Justice as well and empowers the arbitrators to impose binding solutions on fund providers up to an amount under dispute of EUR 10,000.

Since its foundation, the BVI Ombudsman Scheme has matured as a respected cornerstone of consumer protection in the area of investments in the capital markets. It dealt with roughly 1,400 consumer complaints over time and is represented in important committees like the Consumer Protection Advisory Board of the Federal Financial Supervisory Authority BaFin and the Financial Dispute Resolution Network (FIN-NET) of the European Commission.

The Ombudsman Scheme publishes quarterly and annual reports and offers information to consumers and interested parties on its website (www.ombudsstelle-investmentfonds.de).