

The Investment Management Association has provided its outlook for the investment management industry in the year ahead.

Commenting on the impact of recent turmoil in the eurozone, Richard Saunders, chief executive of the IMA said: "Following the recent European summit, we will have to work hard to ensure the UK industry's voice is heard in Brussels. The EU regulatory agenda is enormous and the myriad of proposals will require a lot of effort from firms and trade bodies.

"The future of the eurozone will continue to be a major concern for the investment management industry. Many IMA members are managing European investments and have significant businesses in continental Europe. Decisions in the coming weeks and months will have a real impact on the outlook for 2012, both in the UK and on the continent."

Saunders said 2012 will be a year of major change in the UK. "Regulatory reform legislation will be making its way through Parliament, auto-enrolment and NEST will come on line, and preparations for the Retail Distribution Review will gather pace."

Jonathan Lipkin, head of research and pensions, said that the introduction of automatic enrolment will galvanize the UK pensions system: "The shift to defined contribution pensions brings both opportunities and challenges. In addition to the industry aiming to deliver first class pension provision, there is also a need to ensure that employers and employees have the means to understand and evaluate the services on offer.

"Good governance and disclosure lie at the heart of that process and we look forward to working on these areas in collaboration with Government, regulators and other stakeholders."

Turning to European capital markets' regulation, Jane Lowe, director of markets, said that EMIR (European Market Infrastructure Regulation), which legislates on OTC Derivatives, will reach a conclusion in 2012 but much of the detail will still need to be worked through.

"Segregation should operate in all Member States to protect client assets from bankruptcy of clearing members and CCPs. And it is crucial that the European Securities and Markets Authority gets the technical work on collateral quality right. Including clients on clearing house

risk committees is another important development."

The IMA has a number of concerns on MiFID (Markets in Financial Instruments Directive), a wide-ranging directive that seeks to enhance the single European financial marketplace, increase market transparency and improve investor protection.

On non-equity markets, Jane Lowe said: "On the market side whilst we are happy that the Commission are working on data consolidation in the equity markets, we are perturbed by pre-trade proposals for fixed income and direct markets. These run a very serious risk of undermining market liquidity. Throughout the coming year the IMA will engage closely with EU authorities on this."

Looking at the equity markets, Guy Sears, director of wholesale, added: "The European legislative programme on MiFID may freeze investment in equity trading technologies, as debates occur on the definition and regulation of Organised Trading Facilities (OTFs), such as broking crossing networks.

"The inconsistent and overlapping EU regulatory approaches to third country investors and firms could expose the EU to retaliatory legislation from those who are and should remain our main trading partners."

On legislation impacting funds and fund managers, Julie Patterson, director of authorised funds and tax, commented: "Throughout 2012 there will be extensive work on the very many detailed measures underpinning the Alternative Investment Fund Managers Directive. This will take up much of firms' time.

"We expect comprehensive proposals from the European Commission on UCITS, covering a wide range of issues, including the structure of certain exchange-traded products."

Liz Murrall, director of corporate governance and reporting, said that corporate governance and potential issues of short-termism in the equity market will be high on the agenda in the UK and Brussels: "With a raft of new legislative proposals coming from Brussels on corporate law and

governance, the industry's main challenge will be to work with the European Commission to ensure proposals are proportionate and workable.

"We look forward to seeing the output from the Kay Review in 2012, which we hope will address some of the short-term incentives in investment banking and companies.

"We also hope to see increasing uptake of the Stewardship Code, which the IMA will continue to monitor in 2012."

Looking beyond Europe, Julie Patterson said: "Increasingly, we are contending with proposals from the USA that would have detrimental consequences in the UK and elsewhere. We continue to seek workable rules on FATCA in order to prevent a penal 30% tax on any fund invested in US equities. Members are also grappling with the extra territoriality provisions in Dodd Frank on derivatives.

"Also emanating from the USA are troublesome proposals under the so-called 'Volcker Rule' that would have major ramifications for fund managers within groups with a US bank and potentially more widely."