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### **ASSOCIATION COLUMN: Making CEE stronger**

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When thinking of the investment fund business in Europe, the Central and Eastern (CEE) region is not necessarily the first that comes to mind. This is because market structures differ between countries and because others have only small markets.

CEE is commonly used to describe former communist states in Europe after the collapse of the Iron Curtain. In the business context, it is interpreted more broadly by considering, in particular, Austria as part of this region. This can easily be explained by the common history of most of these countries as parts of the Habsburg Empire.

In the context of the investment fund business, the region comprises: Austria, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Slovakia, Slovenia and Ukraine. All other countries in the region have no developed investment fund markets. Most of the investment fund markets are small but have been developing impressively over the years.

Countries that are members of the EU are engaged in increasing harmonisation of investment fund law in the context of both the Ucits and the Alternative Investment Fund Managers Directive framework experience, which further increases similarities in the region. However, a special feature of the region is its diversity. Nine of the above mentioned countries are EU members. Croatia is on the brink of joining and Ukraine is at the crossroads between the West and the East.

The structure and development of the investment fund markets in the region evolve with different speed, intensity and knowledge. Different legal frameworks shape them. Moreover, differing national implementation of the EU's investment fund law and in particular the diverging interpretation of these rules by national supervisory bodies result in significant challenges for management companies in numerous markets in the region. Thus, the visibility of the region is not granted in terms of both market structure and regulatory oversight.

Against this background, the Association of Hungarian Investment fund and Asset Management Companies (Bamosz) and the Austrian Association of Investment Fund Management Companies (Vöig) initiated a closer collaboration which resulted in the CEE initiative.

The first formal meeting was held in Budapest in 2009, followed by annual meetings in Bucharest (2010) and Kiev (2011). This year's will take place in Brussels on invitation by the European Fund and Asset Management Association (Efama), which has observer status.

The CEE initiative proved to be successful right from its start since it stimulated a regular and much closer communication, exchange of views and better co-ordination among the contributing parties. It also helped to strengthen the ties between the Ukrainian Association

of Investment Business and Efama, which culminated in the signing of a memorandum of understanding between the two.

Members of the initiative intend to strengthen their collaboration in four key areas. First, the promotion of the region has to be strengthened, in particular against the background that the region itself is not always clearly identified and visible. Second, better communication between the members shall enable them to find commonalities and thereby strengthen their collaboration. Third, the improvement of the knowledge and the better understanding of the region shall be ensured by collecting data reflecting the economics of the region. Finally, the members agreed to better promote long-term savings in the region, thereby relying on academic knowledge and specific expertise to properly reflect regional needs.

In this light, it is worth stressing that the CEE initiative is a regional attempt of national investment fund associations to promote similarities and to identify commonalities.

It is the goal of the members to continuously deepen collaboration, to support each other with knowledge and expertise as well as to be open to potential new members of the region to ensure the investment fund business in the region is strengthened by properly addressing the specific needs and characteristics of the region.

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