

IN-DEPTH

Asset Management

EDITOR'S PREFACE



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Asset Management

EDITION 13

Contributing Editor

Nick Pacheco

Slaughter and May

In-Depth: Asset Management (formerly The Asset Management Review) is an incisive general introduction to the complex regulatory frameworks governing asset management activities worldwide, and the related practical issues that arise in the sector. With a focus on recent trends and developments, it covers – among other things – key regulatory hurdles; common asset management structures; main sources of investment; tax implications; and an outlook for future developments.

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Editor's Preface

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Although the world is now some distance away from the seismic events of the global pandemic in 2020–2022, geopolitical tensions, including the Russia-Ukraine and Israel-Gaza conflicts, and macroeconomic pressures, such as the persistent high inflationary environment, now dominate the headlines. A large number of countries – including many of the world's biggest economies – will elect new governments in 2024, and as a result, the global outlook, both politically and economically, remains uncertain.

It is against this backdrop that governments and regulators find themselves trying to balance their preference for high standards of investor protection and their desire to support product innovation and economic competitiveness. Views differ on where that balance should be drawn. The regulation of alternative investments is a case in point – while both European and US regulators have sought to regulate the alternative asset management industry more extensively in recent years, given its explosive growth as an asset class (and the concern that investors, including retail investors, are increasingly exposed, even if only indirectly), regulators have also been challenged on the grounds that large parts of such regulation are, for the most part, unnecessary and that the regulatory burden will do more to curb entrepreneurialism in the sector and the flexibility (and ultimately returns) that have made such asset classes attractive in the first place.

Sustainable and responsible investment remains an area of focus, although political headwinds in certain jurisdictions and economic pressures have made this a more challenging area for asset managers to navigate. Even in Europe, often seen as a leader in this area, many sustainability-themed funds have recently suffered outflows. That said, some of this simply reflects a maturing landscape as investors become more sophisticated in their assessment of both the performance and the 'impact' of such funds. It is hoped that as the various legislative and regulatory measures (of which there are many, ranging from proposals for greater regulation of ESG ratings to the continuing tightening of transparency and disclosure obligations concerning ESG factors) will improve investor and asset manager information on ESG and sustainable finance credentials, thereby minimising the risk of 'greenwashing', which will in time lend greater credibility to, and increase investor trust in, the market for such products.

The rise of fintech and other technological developments, including cryptocurrencies and data analytics, is also having an impact on the sector, with asset managers looking to invest in new technologies, or seeking strategies to minimise disruption by new entrants, or both. Technological solutions such as fund tokenisation to streamline settlement processes have been heavily championed by the industry. Further advancements in the world of artificial intelligence mean AI is a hotter topic than ever and have raised additional questions about the best way of 'regulating' AI in the context of financial services. Feedback on the UK supervisory authorities' discussion paper on the impact of AI on UK financial services suggests that regulators may have to design and maintain 'live' regulatory guidance to address the rapidly changing capabilities of AI. In any event, it is

clear that most regulators are (cautiously) open to the deployment of fintech in the asset management sector (particularly where it can boost competition in the sector and improve consumer outcomes), but they also want to ensure that consumers do not suffer harm as a consequence of innovations.

All these themes serve to illustrate the pace of change – and challenges – facing the industry. Nonetheless, despite a dip in 2022, a return of risk appetite has also been evidenced, and the global value of assets under management has seen an upward trajectory over 2023 and into 2024. The industry is not in the clear, but, given its familiarity with innovation and ingenuity, it seems well placed to navigate this rapidly shifting environment.

The publication of this 13th edition of *Asset Management* is a significant achievement, which would not have been possible without the involvement of the many lawyers and law firms who have contributed their time, knowledge and experience to the book. I would also like to thank the team at Law Business Research for all their efforts in bringing this edition into being.

The world of asset management is increasingly complex, but it is hoped that this edition of *Asset Management* will be a useful and practical companion as we face the challenges and opportunities of the coming year.

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