GERMANY COUNTRY REPORT

1. ECONOMIC AND FINANCIAL BACKGROUND

Table 1: Key Economic and Financial Indicators		
	2016	2017
Population (million)	82.7	82.7
GDP (EUR billion)	3,144.7	3,263.4
Real GDP growth (%)	1.9	2.2
Inflation rate (%)	0.5	1.8
Unemployment rate (%)	6.1	5.7
Stock market capitalisation (EUR billion)	1,676.4	1,933.7
Stock market capitalisation (% of GDP)	53.3	59.3
Bond market capitalisation (EUR billion)	3,068,1	3,090.7
Bond market capitalisation (% of GDP)	97.6	94.7
Household gross savings ratio (%)	9.7	9.9
Household financial wealth (EUR billion)	5,578.5	5,778.6*
Average per capita financial wealth (EUR)	67,455	69,874*

Source: Deutsche Bundesbank, Statis (Statistisches Bundesamt)

* As of 30 September 2017

2. KEY TRENDS IN THE GLOBAL MARKET

Table 2: Net Assets by the Fund Industry in Germany (EUR billion)					
	2013	2014	2015	2016	2017
Home-domiciled UCITS & AIF	1,404.26	1,582.2	1,730.3	1,888.3	2,038.2
Funds domiciled abroad and promoted by national providers	291.10	334.40	383.80	396.61	451.2
Total AuM	1,695.36	1,916.60	2,114.10	2,284.91	2,489.4

Table 3: Net Sales of Investment Funds in Germany (EUR million)					
	2013	2014	2015	2016	2017
Home-domiciled UCITS & AIF	87,116.5	94,474.4	148,563.0	110,113.4	112,028.1
Funds domiciled abroad and promoted by national providers	7,147.8	26,926.1	41,994.4	-6,423.1	42,049.3
Total Net Sales	44,264.3	121,400.5	190,557.4	103,690.3	154,077.4

Last year, the assets under management of home-domiciled UCITS and AIFs passed EUR 2 trillion for the first time. In 2017, the assets grew by 7.9% from EUR 1.9 trillion to EUR 2.0 trillion. This was again due to high overall net sales combined with strong market development during 2017. Adding the assets of funds domiciled abroad and promoted by national providers, the growth rate of assets was even 9%, reaching EUR 2.5 trillion up from EUR 2.3 trillion in 2016. Net sales of EUR 42.0 billion of those foreign funds led to this result. Sales to German investors of real foreign funds again showed negative outflows in 2017 reached EUR 1.6 billion compared with EUR 4.2 billion in 2016. This development shows that there is strong investor trust in German investment products.

This is the third consecutive year where net inflows of home-domiciled UCITS and AIFs were above EUR 100 billion. After adding foreign funds promoted by German providers, it was actually the fourth consecutive year. With EUR 154 billion, 2017 was the second-best year after 2015 (more than EUR 190 billion). Aggregated, the sales figures for German products at home and abroad for the last five years reached EUR 614 billion, one quarter of the total assets under management.

3. KEY TRENDS IN THE UCITS MARKET

Table 4: UCITS Assets by Fund Type (EUR billion)

	2014	2015	2016	2017
Equity funds	144.1	167.8	177.0	200.3
Bond funds	62.4	61.9	65.5	68.3
Multi-assets funds	48.5	65.1	71.6	87.7
Money market funds	2.5	2.9	2.6	2.2
Guaranteed/protected funds	0.1	0.2	0.2	0.2
Absolute Return Innovative Strategies (ARIS) funds	3.0	3.3	3.3	3.2
Other	8.5	9.5	9.6	9.9
Total	269.1	310.6	329.7	371.8
of which ➤ ETFs	38.5	47.8	48.8	55.6
➤ Funds of funds	13.6	19.3	22.2	24.2

Table 5: Net Sales of UCITS by Fund Type (EUR million)

	2014	2015	2016	2017
Equity funds	-8,463.9	8,977.9	4,747.3	8,204.2
Bond funds	2,859.2	1,483.8	3,117.0	3,757.7
Multi-asset funds	7,034.8	13,006.6	5,458.8	13,287.7
Money market funds	-412.8	379.7	-283.4	-286.3
Guaranteed/protected funds	21.6	23.7	13.9	8.1
Absolute Return Innovative Strategies (ARIS) funds	53.0	351.7	95.9	-77.2
Other funds	77.6	-83.3	6.4	225.9
Total	1,169.3	24,140.1	13,156.0	25,119.9
of which ➤ ETFs	-5,625.3	7,066.5	-7.4	3,731.1
➤ Funds of funds	-414.6	2,754.9	2,680.4	2,202.7

At more than EUR 23 billion, the growth of the assets of home-domiciled equity UCITS was the largest of all asset classes in 2017. It grew from EUR 177 billion to 200.3 billion, followed by multi-asset/balanced UCITS, with EUR 13 billion. This grew from EUR 71.6 billion to 87.7 billion. Assets of bond UCITS grew to EUR 68.3 billion from EUR 65.5 billion. Only absolute return innovative strategies and money market funds saw slight decreases in their assets under management.

For the last four years, multi-asset/balanced UCITS have been leaders in net sales. Including the net sales for this period the total of EUR 38.8 billion comes up to more than 40% of the total assets of this asset class. The mix of equities and bonds reflects the desire of many German investors to balance risks. Due to current interest rates, many German retail investors were interested in using the opportunity of the equity market, investing EUR 8.2 billion in equity UCITS. With EUR 3.8 billion bond, UCITS reached third place in net sales. Investors had chosen fund products of this asset class which mainly invest in short-term Eurobonds, emerging markets bonds, US Dollar bonds and international currencies bonds.

With assets of EUR 55.6 billion, ETFs issued in Germany reached 15% of the AuM of UCITS in 2017. Taking into account the total assets of home-domiciled UCITS and AIFs, the share of ETFs was only 2.7%. ETF assets grew from EUR 48.8 billion at the end of 2016 to EUR 55.6 billion, an increase of 13.9%. The assets of funds of funds reached EUR 24.2 billion at the end of 2017, an increase of EUR 2 billion over 2016.

4. KEY TRENDS IN THE AIF MARKET

Table 6: AIF Assets by Fund Type (EUR billion)

	2014	2015	2016	2017
Equity funds	78.3	86.3	97.0	111.7
Bond funds	356.7	358.4	388.7	392.4
Multi-asset funds	681.6	750.7	805.6	843.7
Money market funds	6.2	6.3	5.2	5.4
Guaranteed/protected funds				
Absolute Return Innovative Strategies (ARIS) funds	2.5	2.4	2.2	2.4
Real estate funds	127.7	137.9	151.9	167.1
Other funds	60.1	77.7	108.0	143.8
Total	1,313.0	1,419.7	1,558.6	1,666.4
of which ➤ ETFs				
➤ Funds of funds	49.2	57.3	68.2	79.6
➤ Institutional funds	1,203.8	1,309.5	1,443.9	1,547.7

Table 7: Net Sales of AIF by Fund Type (EUR million)

	2014	2015	2016	2017
Equity funds	-3,353.6	6,914.4	8,560.8	9,862.0
Bond funds	25,373.4	13,795.3	13,043.0	7,134.0
Multi-asset funds	58,472.2	77,993.6	44,803.6	25,833.9
Money market funds	985.5	-58.4	-1,175.5	-0.4
Guaranteed/protected funds				
Absolute Return Innovative Strategies (ARIS) funds	212.6	11.1	-231.1	155.3
Real estate funds	8,517.4	8,937.4	12,194.7	14,694.8
Other funds	3,097.6	16,829.5	19,761.8	29,228.7
Total	93,305.1	124,422.9	96,957.4	86,908.2
of which ➤ ETFs				
➤ Funds of funds	5,819.6	10,026.9	9,871.6	9,494.5
➤ Institutional funds	89,951.4	119,455.5	92,964.8	80,303.7

In 2017, 82% of the investment funds issued in Germany were AIFs, managing assets of EUR 1,666 billion. While EUR 1,548 billion (2016: EUR 1,444 billion) were invested in 'Spezialfonds', which are only for institutional investors, EUR 118 billion (2016: EUR 115 billion) belonged to retail investors.

Multi-asset/balanced funds were the biggest share class, with EUR 844 billion, more than 50% of the total AIF market in Germany. Bond funds were next with EUR 392 billion. Equity AIFs only take sixth place with EUR 112 billion. The assets of all asset classes grew over 2016.

Year-on-year, assets and net sales of real-estate funds are growing. While the assets have increased from EUR 128 billion in 2014 to EUR 167 billion in 2017, net sales in the same period grew from EUR 8.5 billion to EUR 14.7 billion. At the end of 2017 EUR 89 billion were invested in retail and EUR 78 billion in institutional funds.

AIFs carried out 78% of the total net sales of investment funds issued in Germany. Of the EUR 86.9 billion under management, institutional investors are responsible for EUR 80.3 billion. All AIF asset classes, with the exception of money markets, had inflows.

5. TRENDS IN THE NUMBER OF FUNDS

Table 8: Number of Funds

	2014	2015	2016	2017
Home-domiciled UCITS	1,644	1,747	1,775	1,933
Home-domiciled AIF	4,198	4,184	4,287	4,297
Foreign funds registered for sales	9,349	9,561	9,890	10,324
➤ By national promoters	3,267[1]	3,430[1]	3,635[1]	3,929[1]
➤ By foreign promoters	6,082	6,131	6,255	6,395
Fund Launches	466	443	448	548
Fund Liquidations	466	381	348	374
Fund Mergers (of which UCITS)	81 (21)	112 (39)	104 (34)	103 (34)

[1] Only ISINs which are part of the BVI statistics
Source: BVI, BaFin

The number of investment funds domiciled in Germany increased by 168 in 2017 (2016 in 131), of which 158 were UCITS and 10 AIFs. This growth is also reflected in the number of fund launches, with 548,100 more than the previous year. This was fuelled by a large number of 'black label' retail funds being launched on behalf of asset management companies. During 2017, there were 12 closed-end funds started. As in 2016, 34 UCITS merged during 2017. The total number of mergers was 103, one fewer than in 2016.

The number of foreign funds registered in Germany rose in by 434 in 2017 to 10,324. Of these 434 funds, 294 are foreign-domiciled, promoted by national providers.

6. REGULATORY DEVELOPMENTS

UCITS

The cross-border distribution of UCITS into Germany is working well. The Federal Financial Supervisory Authority (BaFin) Guidance Notice on inbound marketing of UCITS units to Germany - also available in English[1] - also shows the recently revised supervisory fees.

AIFMD

According to Article 69 of the AIFMD, the first review of this Directive was due to start in July 2017. The German Investment Funds Association (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 that 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 EU's Capital Market Union goals of enhancing cross-border distribution and facilitating capital market investments from new groups of investors.

BVI is concerned that the European Commission's initiative on cross-border distribution will fall short of reducing existing barriers for both AIF and UCITS marketing across the EU. Therefore, BVI advocates:

- Marketing/Pre-Marketing Definition: Asset managers should be allowed to communicate with potential investors (e.g. in order to test the attractiveness of, or negotiate, a product) without this being considered as 'marketing'. Any definition of pre-marketing and marketing in EU legislation should allow for this. Furthermore, investors should have the flexibility to set up a fund with an asset manager in a matter of days – similar to making a direct investment decision. At the very least, in situations where pre-marketing in the form of negotiation with professional investors has taken place, fund managers should be allowed to notify the National Competent Authority (NCA) subsequent to the investors' subscription of fund units. We also feel that fund units are at a disadvantage compared to other securities, which can be offered to some investors without needing to provide a prospectus according to the Prospectus Regulation and complete a prior approval process. It is not clear why there is no private placement regime for funds.
- Deregistration: We believe that the asset manager should be able to decide the cases where they want to stop marketing and therefore deregister a fund in a given member state. Clearly, existing investors in that member state would be able to retain their investment and continue to receive the ongoing information required by law. The home NCA supervises the manager and the funds they manage. Therefore we see no real need for supervision by the host NCA. This is even more relevant where the fund is no longer being sold to investors of that Member State with no consequent need for thresholds. Nevertheless, at the very least, the asset manager should always be able to deregister the fund if all (professional) investors agree. Otherwise, NCAs may require asset managers to, for example, update and provide the marketing material according to national rules even where they no longer market the fund in that jurisdiction.
- Marketing Communication: Specific national requirements on marketing communication can create a major burden for asset managers. While we accept that NCAs understand local specificities, we strongly believe there should be an effort to harmonise this area. At minimum, asset managers should be able to use marketing material that complies with MiFID II requirements without the need to notify the NCA.

Many of the persisting deficiencies, such as common definitions on pre-marketing, marketing and private placement, could be tackled by Level 3 measures and may therefore be easy to achieve. While the European Securities and Markets Authority (ESMA) should not be considered as universally responsible for dealing with any shortcomings, we believe it can offer valuable guidance and act as an information hub for all NCAs and market participants. As a result, we see the case for further harmonising of marketing standards for investment funds using EU passports to market their units cross-border.

[1] https://www.bafin.de/SharedDocs/Downloads/EN/Merkblatt/WA/dl_130722_merkbl_310KAGB_wa_en.html

MiFID II

MiFID II was implemented timely in Germany. There are three principle peculiarities compared with other European jurisdictions:

- The impact of MiFID II on fund managers: This impact is twofold; indirectly through the regulation of markets and distributors and directly for the MiFID services they provide. According to German law a fund manager managing a fund administered by another fund manager provides the MiFID service of (individual) portfolio management. Thus in case of delegated management, the insourcing fund manager has to comply with all the rules relevant for portfolio management under MiFID II.
- This also includes rules regarding research. Although BaFin did not extend the MiFID II research rules to fund managers, a large part of the business now has to comply with MiFID, and brokers largely price research separately. Hence fund managers now normally separate trading commissions and payments for research. BaFin agreed that management companies should be allowed to deduct research costs from the fund's assets as expenses, up to a maximum level determined by the management company in the fund rules. Besides this, research costs could also be included in the management fee or as a lump sum.
- Inducements: German law provides for the understanding that inducements are also designed to enhance the quality of the service, assuming they improve access to investment advice, e.g. via a network of investment advisors also covering rural areas. The obligation to document inducements and how they enhance quality has already been implemented in Germany for some time.
- Submission of information on target market and costs to distributors: The German umbrella banking association DK, together with BVI and the structured products association DDV, developed a concept for information on target market, beginning in 2016. BaFin acknowledged this concept in March 2017, by which time BVI and DK had already also agreed on the cost information to be provided to distributors. Banks and data providers began to implement this understanding in March 2017, around five months before the European MiFID Template (EMT) was agreed in July 2017. Since the EMT deviated from the German concept in some instances, BVI, DK and DDV agreed on a mapping that allows asset managers to deliver their data via EMT and the banks to receive the data based on the German concept.

It is too early to assess the impact of MiFID II on the relationships between fund managers and distributors. Generally speaking, the level of data exchange demands a closer relationship. It is currently unclear whether distributors have reduced their range of products. Furthermore, as a result of rules on, and transparency of, inducements, the German market offers other types of payment systems such as service fees directly paid by clients.

PRIIPs

The entry into force of the PRIIPs framework in early 2018 has not yet influenced the direct distribution of investment funds. This is due to the fact that all retail funds in Germany are already required by statute to provide Key Investor Information (KII) equivalent to the UCITS standards and are thus exempt from the PRIIPs provisions until the end of 2019. For German 'Spezialfonds', the statute allows those funds to offer either UCITS-like KIIs or a PRIIPs Key Information Document (KID) in the event of distribution to so-called 'semi-professional'" investors. This flexibility for the transitional period under the PRIIPs regime will allow 'Spezialfonds' to provide product information in line with the fund market standard.

Nevertheless, the PRIIPs requirements will have significant indirect impact on German funds in the case of fund distribution via fund-linked insurance contracts. The majority of the German insurers do not make use of the UCITS exemption allowed for 'multi-option products' and insist on full PRIIPs-compliant data in order to produce so-called 'mini PRIIPs KIDs' for each relevant fund. In addition, according to the prevailing interpretation in the German market, fund information must be aligned with the recommended holding period (RHP) of the insurance contract. This means that fund managers are expected to provide data on risk indicators, performance scenarios and costs for multiple RHPs common in insurance products. In general, delivery of both European PRIIPs Template (EPT) and Comfort European PRIIPs Template (CEPT) data is required.

As expected, the initial experience with the PRIIPs data has shown significant deficiencies, particularly on transaction cost figures generated under the 'arrival price' methodology and on yield prospects under different performance scenarios. The general perception is that these problems need to be addressed before the PRIIPs regime becomes directly applicable to funds.

Responsible Investment

Apart from the implementation of European legislation such as non-financial disclosure requirements, there have been no developments relating to the legal framework on responsible investment.

BVI revised its Rules of Conduct in 2016.[2] In this new approach, BVI members either have to comply with the rules or explain any deviation. The BVI guidelines for responsible investment were incorporated into the Rules of Conduct and strengthened. A new Rules of Conduct chapter now includes requirements on responsible investment, Environmental, social and governance (ESG) funds and engagement. This entered into force in 2017.

Corporate Governance

A first initiative for class actions was launched in 2017. However, as a result of the then pending elections it did not enter the relevant legislative process. Nevertheless, the new coalition contract also envisages a new law on class action proceedings.

7. PENSIONS

Personal pensions

In 2017, the number of investment fund-based 'Riester Rente' (Riester pension) contracts rose by 59,000, while the number of insurance contracts and bank saving plans continued to fall. By the end of 2017, there were a total of 3,233,000 investment fund-based saving plan contracts. Given the existing saturation of the market, negative media coverage in preceding periods and persistently low interest rates, the moderate sales figures were not surprising. Currently, more than 19% of the 16.5 million 'Riester' contracts are investment fund-based products. A Riester pension is a third-pillar pension product that benefits from matching state contributions and tax benefits. To improve transparency in the private pension market, a standard information document for all types of state-supported private pension products ('Riester' and 'Rürup' contracts) is obligatory for all providers since 1 January 2017. The latest reform package, which aims to boost occupational pension coverage, also contains amendments covering Riester pensions. For example, government subsidies to the Riester personal pension product have been raised.

Occupational pensions

In January 2018, a new legal framework – the 'Betriebsrentenstärkungsgesetz' – came into force. This will redefine occupational pensions in Germany since such plans can now be set up without guarantees. Until now, defined contribution plans have not been possible in Germany. An essential characteristic of this change is that the new plans can only be set up as part of collective bargaining agreements (the so-called 'social partner' model).

Another key element of the reform is auto-enrolment. The new framework creates legal certainty for employers and social partners to automatically enrol employees in a pension plan as long as they are given a method of opting-out.

The maximum tax-free contributions have been increased. Additional subsidies for integrating low-income workers into occupational pension plans and for setting up plans at SMEs have also been introduced. Low-income pensioners receive allowances for occupational and personal pension income so that this income is not fully deduced from social welfare support provided by the state.

2 www.bvi.de/fileadmin/user_upload/Regulierung/BVI_Wohlverhaltensregeln_en.pdf

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

As of 1 January 2018, a completely new tax regime applies. While many technical details remain to be clarified, the following key principles will apply for mutual funds:

- A new 'opaque' tax regime;
- Funds (both domestic and foreign) will be subject to corporate taxation on domestic dividends at 15% on income/gains from domestic real estate and domestic income, which is subject to limited tax liability in Germany. Other income and capital gains are not subject to taxation on the fund's value;
- For accumulating (non-distributing) funds, lump-sum taxation at investor level at 70% of the German base interest rate (currently around 0.6%);
- For equity funds (i.e. investment in equities of at least 51%), a certain percentage of the distribution, the lump sum and capital gains from the sale of the fund units are tax exempt at investor level (30% natural persons; 80% institutional investors);
- For real estate funds (i.e. investment in real estate of at least 51%), 60% of the distribution, the lump sum and capital gains from the sale of the fund units are tax exempt at investor level (80% if at least 51% investment is in foreign properties); and
- Fund distributions (generally subject to a flat rate withholding tax (WHT) of 25%) reduce the lump sum, lump sum reduces capital gains in case of redemptions/sales of fund units.

In addition to the new income tax rules, Germany introduced new VAT rules for investment fund management. From 1 January 2018, management of UCITS, and AIFs that are comparable to UCITS, are VAT exempt. In order to qualify for the comparability test, AIFs must:

- Be subject to state supervision;
- Be subject to the same conditions of competition and appeal to the same circle of investors as UCITS;
- Be a collective investment; and
- Operate on the principle of risk spreading.

9. OTHER ASSOCIATION ACTIVITIES

Domestic lobbying activities

September 2017 saw federal elections in Germany to elect the members of the 19th German Bundestag. The election saw the Christian Democratic Union (CDU) and their smaller counterparts, the Christian Social Union (CSU) win the highest number of votes with the Social Democratic Party (SPD) second. However, both parties suffered heavy losses in the share of the vote. The Alternative for Germany (AfD) became the third-largest party, with the Free Democratic Party (FDP), The Left (Die Linke) and the Alliance 90/The Greens (Bündnis 90/Die Grünen) closely behind.

Chancellor Angela Merkel first attempted to form a coalition with the FDP and the Greens. However, the four parties ultimately failed to reach agreement and the talks collapsed. Once again, the CDU/CSU and SPD were forced into formal negotiations to form a government.

Throughout the year, the BVI was fully aware of potentially negative narratives concerning financial regulation and monitored the talks closely while promoting its own views on key regulatory areas. In particular, we advocated for the need to maintain the competitiveness of investment funds through 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 criticised the prospects of inappropriate taxation of investment funds and supported initiatives to avoid and eliminate excessive regulation. BVI is committed to remaining proactive in the election process and to continue working with all political stakeholders to obtain the best possible regulatory environment for the investment fund industry in Germany.

Conferences, seminars and workshops

Seminars, conferences and workshops provide a vital service for our members. BVI arranges three to four high-level conferences in Frankfurt, Berlin and Brussels. Among these are the BVI Asset Management Conference, the Fund Operations Conference and our Brussels and Berlin receptions. Speakers range from politicians and economists to EU officials. In 2017, we had 500 meetings involving almost 12,000 participants at our Frankfurt headquarters. We organised 79 seminars during 2017.

The BVI's investor educational initiative: 'Hoch im Kurs'

The BVI investor educational initiative 'Hoch im Kurs' aims to encourage financial education, particularly among young people. This initiative began in 2006 and is designed to provide teachers and students with basic information on economic structures and capital markets. BVI brings experts to schools to discuss financial topics including money management and how to provide for retirement. Since early 2016, the matching process is handled automatically with online registration forms. Around 800 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 exposed the need for further efforts in order to improve corporate governance by some issuers.

BVI's website

The English-language website[3] has five sections covering the latest news, capital investment, regulatory issues and statistics on the German fund market as well as providing information about BVI and its members.

Publications

BVI offers a range of publications including informative brochures, edited versions of the German Capital Investment Code and other relevant legal texts:

- Annual report "BVI 2017. Data. Facts. Perspectives". The report offers insights into the association and its political work, along with key statistical data on the German investment industry.
- "Investment Tax Reform in a Nutshell" provides basic information on the changes brought about by the reform of the German Investment Tax Act. The brochure is designed for investment consultants at banks and for independent financial advisers and is accompanied by a regularly updated online FAQ on the BVI website.
- "Creating Wealth with Mutual Funds" provides basic information on investment funds for retail investors. It is designed to support consultants and financial advisers in their daily work and to foster investors' education on mutual funds.
- "Mutual funds and retirement savings" provides information on the role of open-ended investment funds in pension plans.
- "BVI. Advise. Arrange. Communicate." provides information on the association's services and performance.
- "Investment Law 2016", is a compilation of legal texts, on the German Capital Investment Code (volume 1), national and EU regulations (volume 2) and other EU law sources (volume 3).
- "Investment Tax 2016" is a compilation of legal texts on the Investment Tax Law that will come into effect in 2018, along with other national and international sources of tax law.
- "Investment tax reform compact" highlights the key points of the new investment tax reform for funds, starting from 2018.

These and other BVI publications can be downloaded from the website, with some available as printed versions. They are available in German only.

[3] www.bvi.de/en

BVI Consumer Protection Efforts: Ombudsman Scheme for Investment Funds

The Ombudsman Scheme for Investment Funds of BVI provides independent and impartial consumer dispute resolution. It was launched in 2011, providing an out-of-court dispute settlement process 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 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-effective dispute resolution procedure for retail investors.

BVI has appointed two formerly high-ranking judges as arbitrators, 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 from BVI or the industry. The arbitrator´s office is located in Berlin. The arbitration itself is subject to a special code that has been approved by the German Federal Office of Justice, empowering the arbitrators to impose binding findings on fund providers up to an amount under dispute of EUR 10,000.

Since its foundation, the BVI Ombudsman Scheme has matured into a respected cornerstone of consumer protection in the area of investments in the capital markets. It has dealt with roughly 1,500 consumer complaints and is represented in important committees including 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[4].

4 www.ombudsstelle-investmentfonds.de