



## Working paper

### Risks of US dominance in European asset management

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# Executive summary

Asset managers work on behalf of asset owners, such as pension funds and insurance companies, allocating their holdings of household or other savings. In Europe, the market share of United States asset managers is rising, while that of their European counterparts is declining. US asset managers may even be about to overtake European asset managers in Europe.

However, there are differences between US and European asset managers, and these could play out in the context of the European Union's savings and investment union plan. On environmental, social and governance (ESG) engagement, European asset managers remain active, while their US counterparts increasingly vote against social and environmental resolutions. This is counterproductive for Europe's sustainable finance agenda. To preserve the efficiency and efficacy of the EU asset management market, three steps should be taken: 1) strengthen stewardship policies, 2) create a central supervisor, and 3) enhance strategic autonomy.

Stewardship policies should be tightened and asset managers should highlight how their ESG policies align with those of the asset owners for which they work. A major element of this tightening would be the requirement to publish a detailed record of voting on shareholder resolutions.

Strong supervision by the European Securities and Markets Authority should ensure that US asset managers are appropriately supervised across the EU. Asset managers apply a hub-and-spoke model, operating from Dublin and Luxembourg. National supervisors cannot effectively oversee the Europe-wide operations, which may create blind spots.

A successful savings and investment union needs strong European players to allocate European savings to European investments. The European Commission should act to counter a home bias towards US investments. When hiring asset managers, pension funds and insurers should evaluate not only the lowest cost in the short term, but also financial and ESG performance in the long term.

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## 1. Introduction

The global asset management industry is simultaneously growing and consolidating. Three firms – BlackRock, Vanguard and State Street, all from the United States – have emerged as the dominant players. They oversee \$26 trillion of assets under management. Their share of the European market is also rising, surpassing the growth of European players<sup>1</sup>. Does that matter for Europe?

Meanwhile, the European Commission is rejuvenating plans for what was known as the capital markets union plans under a new name, the savings and investments union, with the goal of creating an integrated EU capital market. Investment banks and asset managers play a central role in the allocation of savings from households to investments in firms. US investment banks are already taking a growing share of the European capital market (Goodhart and Schoenmaker, 2016) and the same dynamics are being seen in asset management, with European players being taken over by their US rivals.

This Policy Brief documents the market share of US and European asset managers in the European capital market and then explores three issues of concern for policymakers:

1. Asset managers play a major role in environmental, social and governance (ESG) engagement by firms and in voting on shareholder resolutions. US asset managers seem to be increasingly voting against social and environmental resolutions, while European asset managers continue to vote in favour.
2. Can the current system of national securities supervision cope with these large and growing asset managers operating across Europe (and the world)?
3. The EU discussion on strategic autonomy – or ensuring the capacity to act in crucial areas without relying on outside help – suggests that Europe should have and retain capacity to operate key functions and ensure capital allocation to European investments. Is asset management such a key function? If so, what can the European Commission and the financial sector do to maintain that capacity?

In examining these policy concerns, we take the overriding policy goal of establishing an integrated capital market as given. We start in section 2 by documenting the rise of US asset management in Europe. In section 3, we examine how US asset managers operate. In section 4, we set out recommendations for policy.

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<sup>1</sup> For example, Emma Dunkley and Harriet Clarfelt, ‘BlackRock and Vanguard lead US “super league” dominating Europe’, *Financial Times*, 11 August 2025, <https://www.ft.com/content/74b8a59b-d596-46fa-83fd-e3702d057581>.

## 2. US rise; European decline

### 2.1 The function of asset management

Asset managers manage investments on behalf of pension funds, insurance companies, sovereign wealth funds, companies and households, with the objective of growing wealth while managing risk. In this way, asset managers play a core role in the EU savings and investments union (SIU), which aims to improve access to funding for investors, allocation of capital and prospects for EU savers (Véron, 2025). The European Commission, which is behind the SIU initiative, thus has a keen interest from an economic perspective in the proper functioning of asset managers.

Pension funds (34 percent of assets under management) and insurance companies (22 percent of assets under management) are the largest institutional clients for asset managers (IPE, 2025). These pension funds and insurance companies are considered 'universal owners' – they own diversified slices of the entire global economy (Quigley, 2026). Because they cannot diversify away from systemic risks, such as climate change, biodiversity loss and rising inequality, they focus on enhancing long-term, sustainable market returns rather than just individual asset performance. Their investment choices affect the likely future economic and societal performance of countries and sectors. And this relationship is a two-way street: asset owners are important for achieving and maintaining flourishing economies and their long-term performance also depends on having flourishing economies in the future (Lukomnik and Burckart, 2026). In a symbiotic relationship, pension funds can pay out good pensions in a thriving, liveable world exactly because their investments have contributed to that thriving, liveable world.

Asset management starts with investment planning to understand a client's financial and, increasingly, sustainability goals and to assess its risk tolerance. Based on these parameters, asset managers build portfolios for their clients. Portfolio construction involves selection of an appropriate asset mix of stocks, bonds, real estate and alternative assets, such as private equity and infrastructure. Assets are allocated across sectors, regions and asset classes to create diversified portfolios.

The final step in asset management is monitoring portfolio performance. Are companies realising profit and impact? Are adjustments needed in response to a changing environment? Asset managers also aid universal owners in their roles as stewards of long-term capital. That means supporting companies in good and bad times, and steering them on their impact journey through engagement. But if companies renege on their impact commitments and thus put the long-term relationship at risk, there may be justification for divestment (a tool of last resort). Stewardship of

companies means working together on long-term value creation and thereby futureproofing the economy<sup>2</sup>.

## 2.2 The market shares of US and European asset managers in Europe

Asset managers are generally ranked by assets under management. Table 1 shows the European market shares of the top 20 asset managers. It appears that the top 20 cover over 60 percent of the European asset management market. Figure 1 summarises the results. The European market share of European (EU, United Kingdom and Swiss) asset managers has declined since 2021, while the share of US asset managers has increased from 40 percent in 2021 to 47 percent in 2026.

Note that 2026 is an estimate, reflecting the recent takeover of UK-based Schroders by US-based Nuveen. This takeover fits into a broader pattern: Goldman Sachs (US) took over NN Investment Partners (the Netherlands) in 2022, and Bank of New York (US) acquired Insight Investment (UK) in 2009. Figure 1 shows an underlying structural trend of European asset managers downsizing or being taken over. If the trend continues, the European market share of US asset managers will soon exceed that of their European counterparts.

The dynamics among European asset managers are also interesting. Figure 2 shows that French asset managers are on the rise, from 31 percent of European asset managers in 2021 to 37 percent in 2026, while the share of UK asset managers of European asset managers has declined from 43 percent in 2021 to 29 percent in 2026. German asset managers hover around 18 percent to 20 percent of European asset managers. French asset managers, similarly to French investment banks, are dominant within the European sub-segment of the European capital market. This confirms the important position of Paris in the EU capital market.

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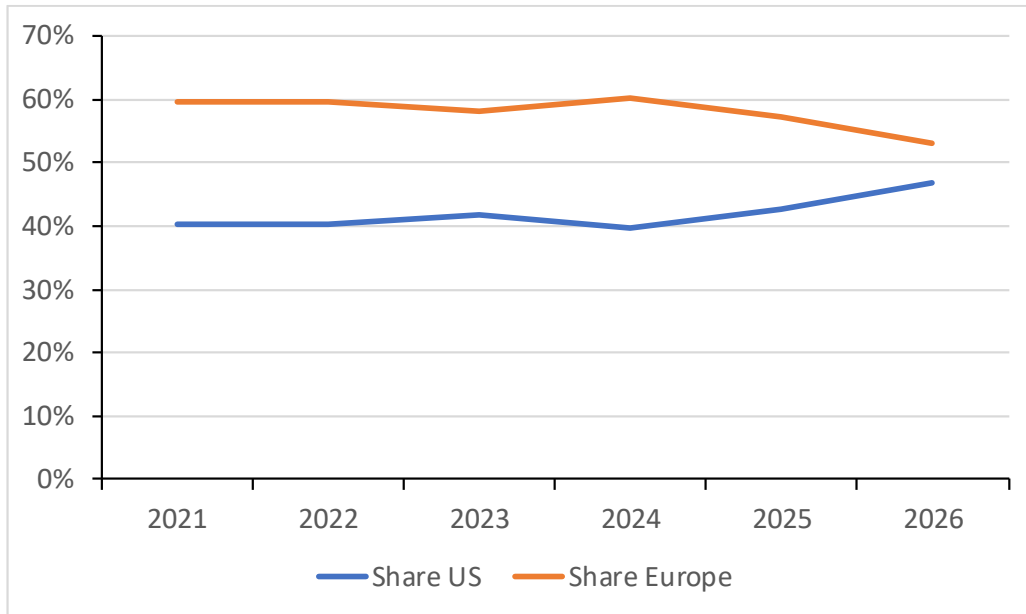
<sup>2</sup> In this Policy Brief, we take a broad definition of stewardship, which includes profit and ESG impact. But sometimes the term is used more narrowly to mean accountability to shareholders on profit only.

Table 1: European market shares of asset managers, % of assets under management

Asset manager	Country	2021	2022	2023	2024	2025	2026*
1. BlackRock	US	9.8%	9.3%	9.6%	11.2%	12.5%	12.5%
2. Legal & General	UK	7.9%	7.8%	7.1%	8.6%	6.1%	6.1%
3. Amundi	France	3.7%	3.6%	4.2%	5.3%	5.4%	5.4%
4. Insight Investment (BNY)	US	6.3%	5.9%	4.9%	5.2%	4.8%	4.8%
5. Goldman Sachs	US	1.0%	1.1%	3.2%	3.7%	4.6%	4.6%
6. Natixis	France	3.2%	3.4%	3.6%	4.2%	4.3%	4.3%
7. State Street	US	2.3%	2.4%	2.5%	3.6%	3.7%	3.7%
8. Deutsche Bank	Germany	2.1%	2.2%	2.4%	2.8%	2.8%	2.8%
9. Schroders / Nuveen (2026)	UK / US	0.5%	2.0%	2.5%	2.9%	2.7%	2.7%
10. Aberdeen	UK	3.0%	2.7%	2.4%	2.5%	2.6%	2.6%
11. Allianz	Germany	2.4%	0.7%	0.9%	2.5%	2.5%	2.5%
12. BNP Paribas	France	1.9%	1.7%	2.0%	2.5%	2.4%	2.4%
13. Swisscanto	Switzerland	1.2%	1.2%	1.5%	2.1%	2.4%	2.4%
14. J.P. Morgan	US	1.6%	1.6%	2.1%	2.0%	2.0%	2.0%
15. Union Investment	Germany	1.3%	1.3%	1.6%	1.8%	1.8%	1.8%
16. Aegon	Netherlands	1.6%	1.5%	1.1%	1.5%	1.6%	1.6%
17. HSBC	UK	0.9%	1.0%	1.1%	1.4%	1.6%	1.6%
18. Achmea	Netherlands	1.2%	1.2%	1.1%	1.4%	1.4%	1.4%
19. Northern Trust	US	0.7%	0.8%	0.9%	0.8%	1.3%	1.3%
20. AXA	France	1.0%	0.9%	1.1%	1.1%	1.0%	1.0%
Total top 20		53.5%	52.1%	55.6%	67.0%	67.5%	67.5%
Share US asset managers	US	40.3%	40.3%	41.7%	39.6%	42.8%	46.8%
Share French asset managers	France	18.4%	18.3%	19.6%	19.5%	19.5%	19.5%
Share UK asset managers	UK	22.9%	25.8%	23.4%	23.1%	19.3%	15.3%
Share German asset managers	Germany	10.9%	8.1%	8.6%	10.5%	10.4%	10.4%
Share Dutch asset managers	Netherlands	5.3%	5.1%	3.9%	4.2%	4.4%	4.4%
Share Swiss asset managers	Switzerland	2.2%	2.3%	2.8%	3.1%	3.5%	3.5%
Total shares		100%	100%	100%	100%	100%	100%

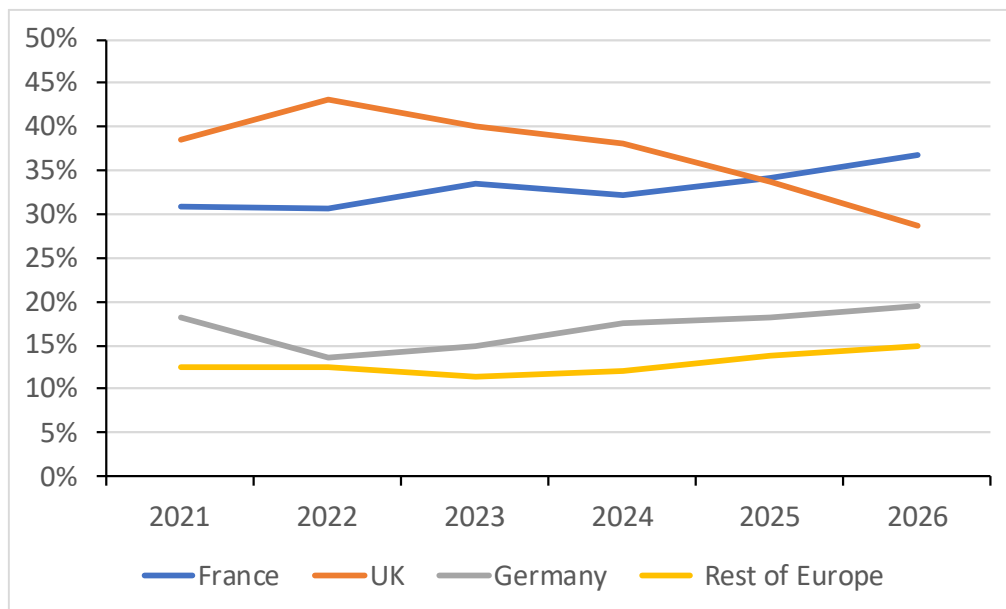
Source: Bruegel based on Investments & Pensions Europe. Note: \* shares for 2026 are estimated, the takeover of Schroders by Nuveen.

Figure 1: Asset managers by origin, European market shares



Source: Bruegel.

Figure 2: Division among European asset managers of the European sub-segment

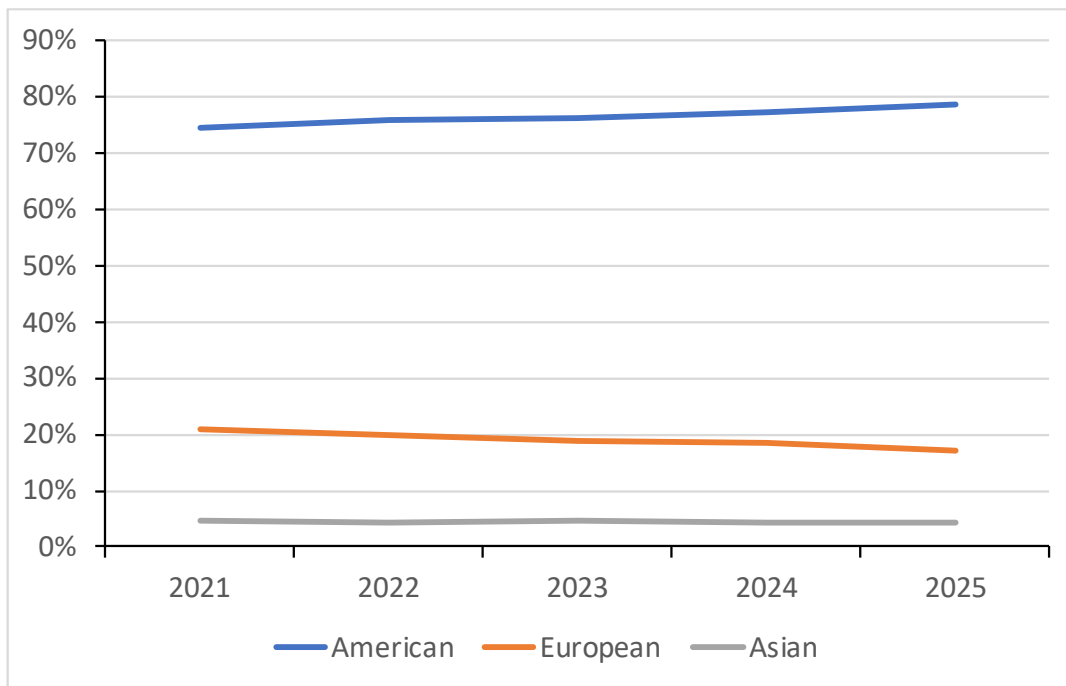


Source: Bruegel.

### 2.3 Global asset management

We have also calculated market shares for global asset management. Figure 3 shows the global share of North American (US and Canadian) asset managers increased from 73 percent in 2021 to 78 percent in 2025<sup>3</sup>, while the share of European (EU, UK and Swiss) players decreased from 21 to 17 percent over the same period. The share of Asian asset managers is stable at 5 percent. This confirms the general picture of the rise of primarily US asset managers and the decline of their European counterparts.

Figure 3: Global asset management shares by region



Source: Bruegel based on Investments & Pensions Europe. Note: refers to market shares by assets under management.

<sup>3</sup> The North American market share is almost completely covered by US asset managers. Canadian asset managers cover only 1.5 percent to 2 percent of the global asset management market.

### 3. How do US asset managers operate?

How US asset managers operate is an interesting question. At the global level, the asset management industry is consolidating, led by US players. This consolidation has consequences for corporate governance and stewardship, raising questions about what incentives large asset managers have to discipline investee companies. In Europe, US asset managers apply the hub-and-spoke model, which poses a challenge for effective supervision and oversight.

#### 3.1 A winner-takes-all market

The asset management industry is increasingly characterised by a 'winner-takes-all' structure (Philippon, 2019). A small number of dominant firms, primarily BlackRock, Vanguard and State Street (collectively known as the Big Three), capture the vast majority of net inflows, driven by economies of scale, passive investing and technology. The economies of scale are particularly large for passively managed assets and publicly traded assets, such as stocks and bonds (De Vries *et al*, 2024). This competition has substantially reduced asset management fees. While standard, active or personalised wealth management fees typically range from 0.2 percent to 2 percent, the Big Three offer passive index funds with expense ratios well below 0.1 percent.

These substantial economies of scales in asset management spur consolidation. The global market share of the Big Three increased from 18 percent in 2021 to 21 percent in 2025 and is expected to rise further (IPE, 2025; Bebchuk and Hirst, 2022). The dominance of the Big Three is also reflected in their voting power: they hold a median stake of 24 percent in S&P 500 companies and five to sixteen percent in European companies as of 2025<sup>4</sup> <sup>5</sup>. This difference in holdings reflects a home bias in investments (Gaar *et al*, 2020). There is a bias in Big Three holdings towards US rather than European companies. The difference is only partly explained by a difference in free float of shares: 88 percent for US companies versus 71 percent for European companies (OECD, 2021). Finally, the competitive nature of asset management also leads to pressure on costs, including governance and stewardship expenditures.

#### 3.2 Little incentive for stewardship

Value maximisation can refer to the goal of generating the greatest possible positive economic, social and environmental benefits from activities, while minimising negative impacts from those activities (Schoenmaker and Schramade, 2023). For asset management, this means that asset owners and their managers should focus their stewardship of companies on maximising the long-

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<sup>4</sup> See: <https://www.ir-impact.com/2025/07/the-quiet-power-of-the-big-three-a-new-era-of-corporate-governance/>

<sup>5</sup> The Norges Bank Investment Fund is an asset owner and has an average 1.5 percent stake in global companies.

term value of their investment portfolios. However, asset managers face two incentive problems (Bebchuk and Hirst, 2022).

First, low fees mean an incentive to underinvest in stewardship activities. An asset manager's return from stewardship is a potential increase in its fee income from the assets they manage. This fee may be only about 20 basis points (section 3.1). So, a €1 million increase in portfolio value as a result of stewardship actions would earn an asset manager only €2,000 in fees per year. Assuming the investment mandate is held for a rather long period of five years<sup>6</sup>, the asset manager would only be willing to invest up to €10,000 in stewardship. From the perspective of the asset owner, it would be optimal to invest up to €1 million to produce the €1 million increase in portfolio value.

Second, asset managers may also have an incentive to be excessively deferential to corporate managers, compared to what would be optimal for their asset owners. Many of the stewardship decisions of asset managers involve choices about whether or not to defer to the views of the corporate managers of their investee companies. These choices can relate to, for example, governance matters, such as director elections and pay, and shareholder proposals on social and environmental issues. Asset managers have an incentive to vote with, rather than against, corporate management, as they may have business ties with the companies (eg revenues from administering and managing their pension plans). This is in particular the case for US asset managers (Bolton *et al*, 2020; and Bebchuk and Hirst, 2022)

This contention is disputed by asset managers (Bebchuk and Hirst, 2022). Revealed-preference theory suggests that preferences can be determined by analysing actual behaviour rather than stated intentions. ShareAction (2025) publishes the voting record of major asset managers on shareholder resolutions, which typically ask for companies to take more action than wished for by corporate management.

Table 2 shows a clear dividing line between US and European asset managers in this respect. US asset managers (in particular the larger ones, including BlackRock, State Street and Goldman Sachs) tend to vote against social and environmental resolutions, while European asset managers vote largely in favour. Figure 4 shows that European asset managers have a track record of voting in favour around 80 percent of the time, while voting in favour by US asset managers dropped from 49 percent in 2021 to 17 percent in 2024. This is, of course, also a consequence of the anti-ESG movement in the US. But Bolton *et al* (2020) also reported that asset managers vote in more 'money-conscious' and less socially and environmentally friendly ways than pension funds<sup>7</sup> (these findings were based on 2012 data, well before the anti-ESG movement in the US started).

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<sup>6</sup> The asset management is very competitive. The typical length of an institutional investment mandate is generally three to five years, which allows for a full market cycle to evaluate performance.

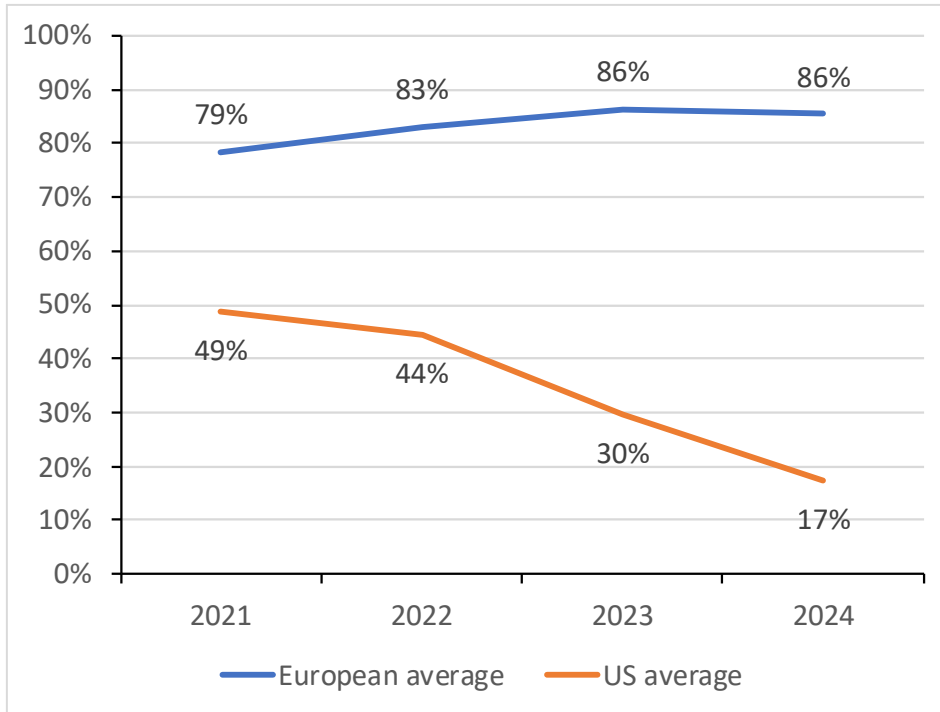
<sup>7</sup> Bolton *et al* (2020) showed that US asset managers vote more often with management across the board on environmental, social and governance resolutions.

Table 2: Votes in favour of social and environmental resolutions, 2024, %

Asset manager	Country	Environmental	Social	Total
1. BlackRock	US	4%	4%	4%
2. Legal & General	UK	90%	87%	89%
3. Amundi	France	93%	96%	95%
4. Insight Investment (BNY)	US	n.a.	n.a.	n.a.
5. Goldman Sachs	US	9%	6%	8%
6. Natixis	France	n.a.	n.a.	n.a.
7. State Street	US	13%	7%	10%
8. Deutsche Bank	Germany	92%	93%	93%
9a. Schroders (till (2025)	UK	80%	76%	78%
9b. Nuveen (from 2026)	US	45%	38%	42%
10. Aberdeen	UK	51%	43%	47%
11. Allianz	Germany	87%	94%	91%
12. BNP Paribas	France	97%	99%	98%
13. Swisscanto	Switzerland	68%	81%	75%
14. J.P. Morgan	US	15%	13%	14%
15. Union Investment	Germany	92%	99%	96%
16. Aegon	Netherlands	88%	90%	89%
17. HSBC	UK	88%	91%	90%
18. Achmea	Netherlands	96%	97%	97%
19. Northern Trust	US	29%	24%	27%
20. AXA	France	84%	73%	79%
US average	US	19%	15%	17%
European average	Europe	85%	86%	86%

Source: Bruegel based on ShareAction.

Figure 4: Voting on social and environmental resolutions



Source: Bruegel.

The Big Three's significant and growing power and influence potentially poses a challenge for corporate governance. According to Bebchuk and Hirst (2022), the promise of large investors disciplining corporate managers goes unfulfilled. An additional concern for Europe is the retreat of US asset managers from stewardship on social and environmental issues.

### 3.3 A hub-and-spoke model in Europe

Asset management groups apply the hub-and-spoke model in their European operations. Luxembourg and Ireland host most of the funds managed by these groups, serving as important hubs that connect asset owners and markets across the EU (Ceh *et al*, 2026). This is not only the case for US asset managers, but also for European asset managers (which are often bank-owned). The preference of asset managers for the hub-and-spoke model is reinforced by the drive towards supervisory efficiency.

National securities supervisors supervise asset management operations under the EU's Markets in Financial Instruments Directive II (MiFID II; 2014/65/EU), and offer a European passport for these activities. MiFID II has requirements on portfolio management, investment advice and product governance. Insofar as the US asset managers have additional subsidiaries across the EU, the respective national securities supervisors exercise supervisory control over those subsidiaries.

Meanwhile, the Sustainable Finance Disclosure Regulation (SFDR; 2019/2088/EU) imposes mandatory sustainability disclosures for asset managers, and the Shareholder Rights Directive II (SRD II; 2017/828/EU) enhances transparency and engagement between asset managers and investee companies.

Supervision in the framework of these directives and regulations is primarily conducted by the national securities supervisor (the so-called national competent authority) in each EU country, with coordination and guidance provided by the European Securities and Markets Authority (ESMA) in Paris.

Asset management groups prefer to deal with a single securities supervisor – the one in their main hub – for their European operations. The supervisors in Luxembourg and Ireland are specialised in asset and fund management (Ceh *et al*, 2026), backed up by robust legal and regulatory frameworks and mazes of taxation treaties to prevent double taxation. But this predominantly national model of supervision for EU-wide operations has shortcomings. National supervisors tend to focus more on an asset manager's operations in their national market and may thus overlook potential spillover effects to other countries (Schoenmaker, 2011). Another concern is whether any national supervisor can deal with the sheer size and complexity of asset managers with European or even global reach (Goodhart and Schoenmaker, 2016).

Moreover, countries that could be affected by stress in the investment fund sector are often not responsible for supervising the relevant funds and therefore lack the ability to pre-empt emerging risks (Ceh *et al*, 2026). Given the increasingly important role of fund managers, there are concerns that disruption in this sector can lead to significant disruption in broader financial markets. These concerns materialised in March 2020 when the bond mutual fund sector suffered exceptionally large outflows because of the COVID-19 pandemic shock. The runs on these bond funds threatened to destabilise bond markets, as funds fire-sold assets, scrambling for liquidity (Breckenfelder and Hoerova, 2023). A more European supervisory framework, Ceh *et al* (2026) argued, would reduce supervisory blind spots and strengthen the sector's resilience, helping to preserve credit and liquidity flows during stress.

### 3.4 Politics in asset management

The anti-ESG movement is a politically driven backlash, primarily led by the Republican Party, that argues ESG investing may undermine fiduciary duty and distort markets, while proponents see ESG as a legitimate tool for managing long-term financial risks and opportunities (Harmes, 2025). In a broad study covering more than 16,000 stocks in 48 countries, Alves *et al* (2025) showed that ESG investing has not systemically affected investment performance in the last two decades. So, ESG does not lead to higher (as some proponents may claim) or lower (as some anti-ESG adherents

claim) financial returns. Alves *et al* (2025) referred to current financial returns. By contrast, stewardship (see section 3.2) is about long-term value creation.

US asset managers frequently hire prominent politicians, former government officials and high-level policy aides to navigate regulatory landscapes, manage geopolitical risks, lobby on government policies and gain privileged access to government opportunities. These hires, often referred to as 'revolving door' appointments, bridge the gap between financial firms and Washington DC. Some large US asset managers in Europe also hire prominent politicians and central bankers in their most important markets ('spokes' in the hub-and-spoke model) to enhance corporate profitability and protect corporate interests. Examples of such hires for BlackRock include former UK Chancellor of the Exchequer George Osborne, former Swiss National Bank Governor Philipp Hildebrand, current Chancellor of Germany Friedrich Merz and a former economic advisor to the French President Jean-François Cirelli. For Goldman Sachs, examples include former European Commission President José Manuel Barroso and former UK Prime Minister Rishi Sunak<sup>8</sup>. The revolving door exists also in Europe, but it is more prominent and structurally embedded in the United States than in Europe (Belli and Stevens, 2024).

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<sup>8</sup> To provide some detail on very senior leadership positions: Philipp Hildebrand has been Vice Chairman of BlackRock since 2012 and is responsible for strengthening the firm's largest global client and government relationships. After leaving the European Commission, José Manuel Barroso became non-executive chairman of Goldman Sachs International from 2016 to 2023. Friedrich Merz was chairman of the supervisory board for BlackRock Germany from 2016 to 2020.

## 4. Policy recommendations

To overcome the challenges outlined in section 3, we propose a more robust policy framework across three linked areas:

1. **Stewardship:** strengthening not only disclosure, but also incentives and accountability for long-term value creation;
2. **Supervision:** ensuring consistent and effective enforcement through a centralised European supervisor;
3. **Strategic autonomy:** maintaining Europe's capacity to shape how capital is allocated and stewarded in line with its economic and societal objectives.

These three areas are interdependent: stronger stewardship expectations require effective supervision, and both depend on maintaining sufficient European capacity in asset management.

### 4.1 Stewardship for long-term value creation

Effective shareholder engagement is a cornerstone of corporate governance. However, as discussed in section 3, the current market structures create weak incentives for asset managers to invest in stewardship. Policy should therefore go beyond disclosure and address incentives, accountability and the role of asset owners. The SRD II and SFDR should be adjusted (ShareAction, 2026) in order to:

#### *Strengthen accountability for voting and engagement*

Transparency could be enhanced through:

- A requirement for institutional investors and asset managers to publish detailed voting records, with clear explanations for significant votes;
- The introduction of 'say on climate' votes at annual general meetings to ensure systematic investor scrutiny of transition plans.

However, transparency alone is unlikely to be sufficient. Disclosure should be designed to enable meaningful assessment of whether stewardship activity supports long-term value creation.

#### *Align mandates and incentives with stewardship objectives*

Asset owners should play a more central role in setting and enforcing stewardship expectations. In particular:

- Pension funds and insurers should be required to define clear stewardship objectives as part of the mandates they issue to asset managers;
- Asset managers should report against these objectives in a consistent and comparable way;
- Mandate renewal and fee structures should reflect stewardship performance, not only short-term financial returns.

This would help address the principal–agent problem identified in section 3.

### ***Require escalation frameworks***

Stewardship should be understood as a process with defined escalation steps: dialogue with management, formalising concerns (writing formal engagement letters with clear expectations and timelines), collaborative action through investor coalitions, voting against directors and supporting ESG-related resolutions, and, as last resort, divestment. Asset managers should:

- Publish their escalation policies;
- Disclose how and when escalation tools are used in practice.

This would strengthen the credibility of engagement and reduce the risk of overly deferential voting behaviour.

### ***Strengthen accountability of asset owners to beneficiaries***

Pension funds and insurers are typically treated as the principals in the investment chain. However, they are themselves agents acting on behalf of underlying members (or beneficiaries).

Strengthening stewardship therefore requires reinforcing accountability at this level as well.

#### **(a) Ascertaining beneficiary preferences**

Pension funds and insurers should be required to make reasonable efforts to understand the sustainability preferences of their members, including on issues such as climate transition, biodiversity and social impacts. This could include:

- Structured surveys of member preferences;
- Deliberative processes, such as member panels or assemblies;
- Integration of these preferences into investment beliefs and stewardship policies.

This would provide a clearer mandate for long-term value creation that reflects members' interests over multi-decade horizons.

#### **(b) Enabling member scrutiny and accountability**

Pension funds should also be required to enable meaningful scrutiny of their stewardship activities by their members. This could include:

- Publishing accessible reports on voting and engagement outcomes;
- Providing clear explanations of how stewardship aligns with stated member preferences;
- Establishing mechanisms for member challenge and feedback.

Such measures would make asset owners more accountable while reducing the risk that stewardship becomes a purely technocratic exercise.

### ***Maintain robust sustainability disclosure frameworks***

Frameworks such as SRD II and SFDR should not be weakened. In particular:

- Entity-level disclosure of principal adverse impacts should be retained;
- Basic sustainability disclosures should be required across all funds, reducing the current asymmetry between 'sustainable' and 'non-sustainable' products.

## **4.2 Credible and strong supervision by ESMA**

Enhancing stewardship regulations is only useful if there is also a strong supervisor enforcing adherence to these regulations. As discussed in section 3, the current system of national supervisors falls short of effective supervision of large and complex asset managers. With the move to the savings and investments union, the EU supervisory architecture should be capable of handling the main players, which are becoming more concentrated and are US dominated. ESMA has already direct supervisory powers under the Credit Rating Agencies Regulation (Regulation (EC) No 1060/2009). These powers can be extended to institutional investors and asset managers under MiFID II. Moving supervision to a well-resourced ESMA would improve the quality of supervision of the major players that pose a systemic risk, while closing blind spots and harmonising the supervisory approach, bringing an end to forum shopping.

Véron (2025) argued that a single supervisor could unshackle the SIU. Supervisory integration should be the priority for the EU legislative plan for SIU. ESMA, the EU-level hub for capital markets supervision, would become the single securities supervisor, similar to the European Central Bank's role in banking supervision.

## **4.3 Strategic autonomy in a vibrant European capital market**

The European capital market facilitates the allocation of European savings to European investments. It will gain in importance and size with widely expected national pension reforms (Véron, 2025). Given the home bias of asset managers (discussed in section 3), a critical mass of Europe-based asset management is needed to ensure that European investment needs are met. The growing dominance of US asset managers raises questions about Europe's ability to shape how its capital is allocated and stewarded. Strategic autonomy in this context should not be understood as protectionism, but as ensuring that Europe retains sufficient capacity to:

- Support its own capital markets;
- Uphold its regulatory and policy objectives;
- Promote long-term value creation consistent with its economic and societal goals.

For strategic autonomy, two recommendations can be made:

### *Strengthen European capacity*

Policy options to support European asset management capacity could include:

- Facilitating scale among European asset managers;
- Ensuring that public and quasi-public asset owners take into account long-term system outcomes, not only short-term cost, when allocating mandates;
- Supporting European investment platforms or vehicles that embed strong stewardship standards.

### *Role of institutional investors*

Institutional investors themselves have a role in managing concentration and alignment risks. This goes beyond diversification for its own sake. They should:

- Evaluate the stewardship approach and long-term alignment of asset managers alongside fees;
- Avoid excessive reliance on a small number of global providers where this may weaken effective stewardship: bigger institutional investors typically hire several asset managers to avoid concentration risk; European institutional investors should include at least one large European asset manager;
- Engage collectively, where appropriate, to shape market practices: coordinated engagement is found to be more effective (Dimson, Karakaş, and Li, 2026).

Taking together, these recommendations would ensure that Europe maintains its capacity to allocate and govern its investments in line with its economic and societal objectives.

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