bvca The voice of long-term investment

1st Floor North, Brettenham House
Lancaster Place, London WC2E 7EN
T: +44 (0)20 7420 1800
F: +44 (0)20 7420 1801
E: bvca@bvca.co.uk
www.bvca.co.uk

To: markt-h1@ec.europa.eu

16 April 2010

Sirs,

RESPONSE TO COMMISSION STAFF WORKING DOCUMENT ON CRD IV

We welcome the opportunity to respond to the Commission Staff Working Document. The British Private Equity & Venture Capital Association (BVCA) is the industry body and public policy advocate for the private equity and venture capital industry in the UK.

1. Executive summary

We welcome proposals to strengthen the EU banking system. EU banks provide vital financing to companies backed by private equity and venture capital. The recent banking crisis has restricted the flow of bank finance to EU business. That in turn has made it difficult for some companies to grow and for others to survive. It is vital that a properly calibrated European banking regulatory regime exists in order to enhance banking stability. The regime must facilitate bank lending to European businesses, including to private equity and venture capital backed companies. The success or failure of these companies will be a key part of the story of the European recovery. We urge policymakers to keep this issue at the forefront of their considerations when adjusting the banking capital regime.

We do not make any further comment on the impact of the proposed measures on banks. The remainder of our response is focussed on the impact the proposals would have if they are applied to investment managers.

The policy concerns identified in the Working Document on CRD IV relate to credit institutions and to investment firms which deal on own account, as well as the consolidated groups of which these institutions form part. It is these institutions in which deficiencies have been identified in liquidity arrangements, type and amount of capital, procyclicality of capital requirements and the need for a leverage ratio measuring leverage and off-balance sheet arrangements. However in many places the proposal refers to "institutions", which would include investment managers subject to MiFID (as they are a type of CRD investment firm).

We are concerned that the Commission may propose amendments to the CRD which would apply some of these new requirements to independent investment managers, for whom they are inappropriate. It is not clear to us whether this is the Commission's intention, though we note that no policy arguments have been advanced in the consultation which are aimed at investment managers. As the CRD currently applies to MiFID investment managers, we are also concerned that amending CRD could result in inadvertent changes to the investment manager regulatory capital regime.

The new prudential requirements, such as the leverage ratio, countercyclical buffers and quantitative liquidity standards, should be applied only to banks and investment banks. Where changes are made to the existing CRD standards on the definition and eligibility of own funds, we urge the Commission at the very least to preserve investment managers' current flexibility around use of tier 1 and tier 2 capital. As only "gone concern" capital is of relevance to investment managers, we consider this is an opportunity to give more flexibility to these institutions' use of tier 2 capital. This would avoid the damaging effect of imposing on independent investment managers restrictions on core tier 1 and tier 1 which have been developed for banks and investment banks.

The Commission's focus is rightly on banks. We would value the opportunity to meet with the Commission to discuss the issues raised in this response relating to investment managers and to explore policy and drafting options for ensuring that banking regulatory measures do not have the inadvertent result of imposing wholly inappropriate requirements on the independent investment management sector.

2. Investment managers are not banks

If an investment bank enters insolvency proceedings whilst it has a trading position open with its client and, the client must claim against the bank in the insolvency in order to recover its assets. If an investment manager becomes insolvent whilst managing assets, its client is in a completely different position. Assets managed by investment managers for their clients, such as shares and bonds, are owned directly by those clients. The insolvency of an investment manager does not interfere with a client's ownership of these shares or bonds. The client does not lead to file a claim against the insolvent manager to recover the assets; it simply finds a new manager to take over the management of the assets.

Private equity and venture capital firms which are subject to the CRD are primarily investment managers which manage private equity and venture capital investments for their clients and fall within Article 20(2) of CAD.

The public policy issues posed by investment managers are addressed in the Markets in Financial Instruments Directive and UCITS directive and will shortly be addressed in the AIFM Directive. Quite properly, the provisions in these directives relating to the regulation of investment management do not apply to banks or investment banks in respect of their banking or investment banking business. The investment management requirements in these directives apply only where banks perform investment management services.

Investment managers should not be subject to banking regulatory requirements unless they perform banking services.

Whilst it is primarily designed as an instrument of bank/investment bank regulation, significant parts of the CRD also apply to investment managers, some of which manage private equity or venture capital investments. These managers are a type of "investment firm" under the CRD. The CRD IV proposal is focussed on banks and does not make a policy case for applying the new measures to investment managers. However, it refers on many occasions to "investment firms" and does not always clearly state which "investment firms" are intended to be affected.

The public policy issues raised by banks and investment banks do not apply to investment managers. We welcome the express recognition in parts of the CRD IV proposal that the proposed new measures should not be applied to investment managers. We urge the Commission not to apply the CRD IV proposals developed for banks to investment managers, unless and except where a clear policy case can be made for doing so. Any other approach will create barriers to entry into the investment management market and limit the types of funding available to this industry without any underlying policy justification.

3. The relevance of CRD to private equity and venture capital

We have included as Annex 1 to this letter a summary of the ways in which the CRD affects Private Equity and Venture Capital firms ("PE/VC firms"). We also include in that Annex some general observations regarding the proposals.

4. Specific questions

We have only answered the questions which we consider to be of primary relevance to our members.

Liquidity Standards

***Question 10**: Should entities other than credit institutions and 730K investment firms be subject to stand-alone liquidity standards? Should other entities be included in the scope of consolidated liquidity requirements of a banking group even if not subject to stand-alone liquidity standards (i.e. financial institutions or 50K or 125K investment firms)?*

***Question 11**: Should the standard apply in a modified form to investment firms? Should all 730K investment firms be included in the scope, or are there some that should be exempted?*

We agree that it would be inappropriate to apply the proposed Liquidity Coverage Requirement or Net Stable Funding Requirement to stand alone investment firms which do not deal on own account, such as those with initial capital requirements of €50k or €125k. The underlying policy issues which these requirements seek to address do not arise in relation to such firms and it is very difficult to see how these firms could comply with these requirements. These firms are already subject to a requirement to take into account liquidity risk when carrying out their internal capital adequacy assessment process. In our view this high level requirement allows competent authorities to require appropriate governance around liquidity issues which may arise in investment managers, such as the need to ensure available cash to pay staff, buildings and IT costs.

In relation to consolidation for managers which are part of banking groups, we understand the Commission's proposals for banks is that the bank should comply with the requirement on a solo basis and on a consolidated basis with other banks in its group. It is unclear to us what the policy argument would be to extend liquidity requirements to group entities which are not faced with the same practical liquidity pressures as banks, such as investment managers. As noted above, investment managers require cash to pay day-to-day business costs just like any other business, rather than to meet payment obligations to financial market counterparties or depositors. For these reasons we do not consider that it would be appropriate to include investment managers within the scope of a consolidated liquidity requirement.

Definition of Capital

Investment managers are not banks

We note that for the sake of brevity, the chapter on definition of capital refers to "institutions" rather than distinguishing credit institutions and investment firms. Unfortunately this has the effect that a number of statements in the proposal regarding the underlying policy justifications for the need for regulatory capital and the need for changes to the definition of capital could be construed as covering investment managers. This would be mistaken. For instance, paragraph 33 makes an important comment about financial stability:

> *"During the financial crisis, institutions made significant unexpected losses. In many cases, the amount of going concern regulatory capital held was insufficient to absorb losses on a going concern basis, and created broader concerns about financial stability."*

All financial services sectors (and many other business sectors) contain firms which made losses or whose profits were reduced in the financial crisis. However, most of these firms posed no threat to financial stability. PE/VC firms were not a source of systemic risk in the crisis. This view is echoed in statements by the FSB, IOSCO, FSA, De Larosière, and Lord Turner and is further documented by the industry itself in a detailed Response to the Commission relating to the AIFM Directive, published in February 2009, "Private Equity and Venture Capital in the European Economy – An Industry Response to the European Parliament and the European Commission.

Paragraph 33 goes on to note that:

> *"As a result, significant government intervention was required to prevent the failure of certain institutions and to restore financial stability."*

No PE/VC firm has sought or obtained such support so far as we are aware.

> *"It is evident from the experience of the financial crisis that European legislation must place greater emphasis on the importance of going concern capital; capital that can help to prevent an institution from becoming insolvent."*

This conclusion does not follow for PE/VC firms, because the identified issues of systemic risk and the need for government intervention did not arise in relation to those firms, nor is there any suggestion that these issues will arise in future.

The purpose of regulatory capital for investment managers

The proposals in paragraph 73 to increase minimum ratios for core tier 1, tier 1 and total capital are predicated on the analysis for banks and investment banks. As illustrated above, the supporting arguments for these changes are not relevant to independent investment managers.

Indeed it is not clear to us that the purpose of regulatory capital for investment management firms is to provide both "going concern" and "gone concern" capital. As the bespoke capital requirement for these firms is ¼ of fixed annual overheads on the basis this provides 3 months working capital if a business is wound up, we understand that for these firms the purpose of regulatory capital is primarily to provide a "gone concern" capital cushion. The significance of this is that investment managers should be entitled to count all forms of gone concern capital – core tier 1, tier 1 and tier 2 - towards their regulatory capital requirements, without minimum ratio requirements applying to each tier.

The impact of changing the requirements

The vast majority of PE/VC firms are small and medium sized enterprises which are owned by the senior executives within those firms. Accordingly the capital requirements of the firms have to be met through capital subscriptions by those executives. The current system gives at least a measure of flexibility for firms to meet these requirements through a mixture of ordinary shares (or equivalent capital commitments) on the one hand and securities which carry a measure of fixed coupon entitlement on the other. That makes it easier for these firms to raise regulatory capital, as it can tailor the forms of capital required to the different types of executive and their relative stakes in the business. The cost of prohibiting some types of capital from being counted is a lack of flexibility in structuring the balance sheets of these businesses. This will ultimately lead to fewer new market entrants and could lead to some existing providers ceasing to operate and/or needing to merge with others in order to meet the requirements.

Question 16: *What are your views on the prudential appropriateness of eliminating the distinction between upper and lower Tier 2, and of eliminating Tier 3 capital?*

We welcome the proposal to eliminate the distinction between upper and lower tier 2, which simplifies the regime.

We do not think it is appropriate to limit the types of capital which investment managers are able to use to meet their regulatory capital requirements, whether by eliminating items which may currently be included in tier 3 or otherwise. The Commission has not given any policy justification for making this change in relation to investment managers. If anything, more flexibility should be introduced into the current regime, at least in relation to the proportionate use of different types of capital.

Investment managers should be permitted to continue to count short term subordinated debt (which currently falls within tier 3) within their regulatory capital. In the event that the Commission decides to eradicate tier 3 for all institutions (on the basis that this creates a straightforward harmonised framework), we strongly advocate investment managers being permitted to include such debt include within tier 2. This could be achieved through an amendment to CAD which refers specifically to firms falling within Article 20(2).

Question 17: *Are the criteria proposed for Core Tier 1, non-Core Tier 1 and Tier 2 sufficiently robust and how might they be improved?*

Please see our answer to Question 19 below.

Question 18: *In order to ensure the effective loss absorbency of non-Core Tier 1 capital, would it be appropriate under certain circumstances to require the write down if the principal amount of an instrument or its conversion to a Core Tier 1 instrument? To what extent should the trigger for write-down / conversion be determined objectively or at the discretion of an institution or its supervisor?*

Prior to the introduction of CRD 3, investment managers have been able to use non-cumulative preference shares to meet tier 1 requirements. This will no longer be possible following CRD3 implementation. As the relevant capital test for investment managers is gone concern capital (using the Commission's analysis of this term), we consider this to be an unfortunate restriction. Introducing mandatory calls would further restrict privately held institutions' ability to structure their capital arrangements, particularly where the accounting treatment of those instruments is not tailored to the regulatory regime and so they may not be treated as equity (see discussion of LLPs above).

We suggest two ways to address this without interfering with the broader proposals for banks. First, investment managers could be permitted to use any combination of core tier 1, tier 1 and tier 2 to meet their initial capital requirement and gone concern capital requirement of ¼ fixed overheads. Second, the relevant paragraph could be disapplied for privately owned companies.

Question 19: *Which of the prudential adjustments proposed have the greatest impact? What alternative, robust treatments might be considered and what is their prudential rationale?*

Policy issues

The Commission notes in paragraph 43 to 45 of the proposal that whilst many banks take the form of joint stock companies, some do are not. The Commission refers to these other type of entites as "non-join stock companies" ("NJS"), though in some legal systems the examples cited may not be constituted as companies but as other forms of corporate or unincorporated bodies. We welcome the Commission's recognition of the need to ensure that the regime developed primarily for joint stock companies is sufficiently flexible to work for NJS.

The proposed regime for joint stock companies has been primarily developed to resolve issues faced by companies with a public market listing. It is these entities which experienced the most significant difficulties in the recent market turmoil and whose hybrid capital issuance has arguably led to difficulties in raising other types of tier 1 capital. These issues have not arisen in the context of privately owned institutions. We urge the Commission to consider also the need to introduce sufficient flexibility into the regime to ensure that legitimate capitalisation methods of these institutions are not inhibited by amendments introduced for listed companies. This might be achieved as an extension to the flexibility needed to ensure the amended regime can be made to work for NJS.

Many European investment managers which are not bank subsidiaries are privately owned by the current/former executives who run them. Existing and any future capital in these entities (and their parent entities which are subject to group capital requirements) is only subscribed by the existing owner executives or incoming owner executives. Unlike the joint stock companies which are the focus of the Commission's proposals, these entities do not have access to capital from the wider financial markets.

We agree that the vast majority of the proposed tests for core tier 1, tier 1 and tier 2 relating to permanence and cost of capital could be applied to privately owned investment managers in the same way as publicly held banks. However, if investment managers are to continue to be required to hold a minimum amount of "going concern" capital (tier 1) rather than simply a minimum of total "gone concern" capital (tier 1 plus tier 2), some of the new restrictions will cause problems. The measures developed to allow institutions to raise core tier 1 capital from the public markets will not have this effect for privately held entities (because those public markets are not open to them – they rely on private finance). They will significantly restrict a privately held investment manager's ability to raise capital from new executives or private buyers and in some cases will require capital restructuring, without in our view improving the capital position of the firm. The proposed measures run directly counter to many common forms of long term private ownership investment.

Possible solutions

We consider two solutions would facilitate proportionate treatment for investment managers. First, First, investment managers could be permitted to use any combination of core tier 1, tier 1 and tier 2 to meet their initial capital requirement and gone concern capital requirement of ¼ fixed overheads. This would mean no specific amendments should be needed to the definition of core tier 1 or tier 1 capital (as amounts could simply be included within tier 2 instead). Alternatively, the relevant paragraphs developed for listed banks/investment banks could be disapplied for privately owned investment managers.

LLPs

The current regime provides some flexibility around the types of legal entities which may act as investment managers. In the UK, many investment managers are structured as limited liability partnerships ("LLPs"). This has benefits for customers, as partners under these structures (known in the UK as "members") have a higher level of personal liability to customers than directors under companies law. At present, the UK FSA rules permit such entities to count members' capital meeting certain requirements as core tier 1 (known as "eligible LLP members' capital"). These requirements largely replicate the permanence and low cost of funding of ordinary share capital.

However there is flexibility around a number of aspects which might be threatened by the Commission's proposals on eligibility for core tier 1:

(a) whilst all qualifying member interests must be subordinated to all non-member interests, amongst the members there can be an order of priority. Thus perhaps only one member claim will be "the most subordinated". However the pool of member claims is subordinated to all other claims. To address this, we recommend the wording in Annex IV (1) is amended to refer to the most subordinated pool of claims, that this is clarified in CEBS guidance and that (8) is deleted;

(b) in relation to a partnership or LLP, it may be difficult to classify a capital amount paid in as "equity" for accounting purposes in the event that a member has a separate entitlement to receive a fixed share of profits (even if the entitlement to that fixed share is completely unrelated to the capital paid in). This is an example of the frequent phenomenon of needing to adjust the accounting treatment to achieve the desired regulatory outcome. There will need to be sufficient flexibility in the new regime to continue to permit this;

(c) the concept of eligible LLP members' capital which has been developed to entitle LLPs to issue core tier 1 capital is not reflected in the relevant accounting standards (as would be required by Annex IV (14)), so this is not shown as a separate line in the published balance sheet, though it is reported to the FSA. As this concept is peculiar to LLPs which are FSA regulated (most are not), it may be difficult to change the accounting treatment to facilitate this.

If these issues cannot be addressed, investment managers currently structured as LLPs will need to go through the expensive legal process of transferring their businesses to companies. There is absolutely no regulatory justification for imposing such costs on these businesses.

Privately owned (unlisted) companies

Many PE/VC firms which are structured as companies are owned by the executives which run them, typically via a holding company. This has benefits for customers, as the remuneration of these executives is fundamentally tied to the overall medium to long term performance of the business through their ownership. (Indeed much of the current debate around remuneration structures at listed banks focuses on perverse incentives which can arise when ownership is divorced from executive responsibility). We are concerned that the core tier 1 measures designed primarily for listed companies could restrict legitimate structures which are currently used in these businesses. For instance:

(a) ordinary share capital issued by the holding company is often split between share classes, each with a different place in the level of subordination on insolvency versus other ordinary shares. These shares are all subordinated to all other creditors. This should be permitted to continue as it allows different executives to be treated differently, for instance by referring in Annex IV (1) to the most subordinated pool of claims and following this with clarificatory CEBS guidance;

(b) different classes of ordinary shares issued by the holding company often carry different rights to share in the assets remaining on a winding up. This variation in share rights is a flexible tool for medium to long term management incentivisation. For instance, it can be used in a holding company to increase the value of a subsidiary, then sell the subsidiary at a profit, repay all existing creditors and divide the remaining assets amongst the ordinary shareholders on a pre-agreed basis. The amounts payable on some classes of ordinary shares may be limited or capped; shares in this class might be issued to all the shareholders but in different amounts relative to other shares. Paragraph (2) of Annex IV would appear to prohibit this arrangement. Paragraph (4) of Annex IV may also present difficulties. These paragraphs could simply be disapplied for privately owned holding companies.

Initial capital

We also note that changes to the definition of "own funds" might also result in a change to the definition of "initial capital", which can impact firms falling within Articles 7 and 8 of CAD. Whilst the amounts which must be held are small, we note that: (i) many of the firms are themselves small and privately owned and (ii) it is important to ensure that the regime permits a range of legal structures to continue to be used as the regulated institution. The continued use of limited liability partnerships as regulated institutions will only be possible if their capital remains eligible for inclusion as "initial capital" under the new qualifying test.

Other comments

We have a number of more general comments:

Annex IV item (8) requires considerable reworking in order to correspond to the legal reality. We recognise that as a matter of regulatory shorthand it is useful to refer to capital absorbing losses. However this is not accurate as matter of law and it would accordingly be difficult to implement consistently across the EU. In any case this requirement appears already to be covered by paragraph (1).

It should be clarified that Annex VI paragraph (12) and VII paragraph (8) are not intended to prevent parent undertakings investing in their subsidiaries. We are concerned that this may also prevent other legitimate investment (depending on the definition of "related party" for these purposes).

We consider public capital disclosure requirements have little worth in relation to independent investment managers. We would be concerned that further extensions to the current requirements would in most cases impose additional cost without any material benefit for their clients. This type of information is of most interest to competitors or potential purchasers of the business, neither of whom require regulatory protection under CRD.

CEBS impact assessment

We note the proposal for CEBS to assess the impact of the changes. Previous studies have omitted small and medium sized investment managers, so have not reflected the material cost impact of capital changes on these businesses. If our recommendations on capital are not followed, we would urge CEBS to include a range of investment managers within their study.

***Question 20**: Are the proposed requirements in respect of calls for non-Core Tier 1 and Tier 2 sufficiently robust? Would it appropriate to apply in the CRD the same requirements to buy-backs as would apply to the call of such instruments? What restrictions on buy-backs should apply in respect of Core Tier 1 instruments?*

We do not believe it should be necessary to apply the regulatory approval mechanism on calls to tier 2 capital. We also consider this gives rise to some inconsistencies in the proposals. For instance, annex VII paragraph (5) is inconsistent with paragraph (4). If an instrument has a maturity of 5 years at issue, regulatory approval is not required for redemption. However if the institution issues an instrument with a 5 year call, then calls the instrument after 1 year (so that it is repayable 6 years after issue), this is subject to regulatory approval unless the instrument is replaced with an equivalent or better capital instrument. Institutions must in any

case continue to meet their capital requirements (whether calling instruments, paying dividends, making losses or whatever); we recommend paragraph (5)(c) is deleted.

Question 24: *How should the grandfathering requirements under CRD II interact with those for the new requirements? To what extent should the grandfathering provisions of CRD II be amended to bring them into line with those of the new capital requirements under CRD IV?*

We advocate long grandfathering periods, harmonised with time periods in the existing amendments to facilitate simplicity.

Leverage ratio

Question 25: *What should be the objective of a leverage ratio?*

However this question is answered, it must be answered in the context of (i) credit institutions and (ii) investment firms which deal on own account. These are the only types of entity covered by the CRD of whom it is relevant to say (as the Commission does at paragraph 79 in the Overview section):

> *"The years preceding the crisis were characterised by a significant build up in institutions' leverage. The losses made during the crisis forced institutions to reduce significantly the extent of their leverage in a short period. This process adversely impacted the availability of credit to the real economy and further compounded the adverse effects of the crisis. The risk-based minimum capital requirements of the CRD are essential to ensure the closer alignment of regulatory capital and the underlying risk."*

The leverage ratio should not be applied to investment managers or advisor/arrangers.

Section V: Countercyclical measures

The Commission has not raised the question of scope in relation to the proposed countercyclical measures. However, the reasons cited for introducing both through-the-cycle provisioning for expected credit losses and capital buffers, relate exclusively to banks. The proposed new requirements are also designed for banks. On this basis, we assume the Commission does not intend to apply these provisions to investment managers. We would welcome clarification of this from the Commission.

Section VI: Systemically important institutions

Question 46: *What is your view of the most appropriate means of measuring and addressing systemic importance?*

Whether an institution is systemically important should be measured by reference to the market impact of that institution undergoing an insolvency event. On this criterion we consider that no PE/VC firm would be considered systemically important.

Please do not hesitate to contact Tim Lewis at tim.lewis@traverssmith.com with any queries on this response.

Yours sincerely,

Margaret Chamberlain

MARGARET CHAMBERLAIN

Appendix

The relevance of CRD to private equity and venture capital

Private Equity and Venture Capital firms ("PE/VC firms") are affected by the CRD in five major ways.

First, a number of PE/VC firms are subject to MiFID and are accordingly subject to capital requirements imposed by the CRD. These firms act as managers or advisers, assisting third parties to invest in private equity and venture capital firms. These firms do not deal on own account or take deposits, so they so not pose the same public policy issues as banks or investment banks. The CRD already recognises this difference.

Managers are subject to a bespoke regime under Article 20(2) of Directive 2006/49/EC ("**CAD**"), the effect of which is to apply the same capital calculation requirements as are applied to banks, but to apply a modified capital requirements calculation based on annual fixed overheads. Such managers are also entitled to calculate group capital and group capital requirements on an unconsolidated basis under CAD Article 22; this effectively allows for consolidation within the asset management industry as it avoids the mandatory deduction of goodwill from tier 1 capital on consolidation. The Commission has recently recognised the difference between managers and banks/investment banks through disapplication of the large exposures regime, via Article 2 of CRD 2 (2009/111/EC).

Advisor/arrangers are subject to initial capital requirements under Articles 7 and 8 of CAD.

Second, the forthcoming AIFM Directive refers to the definition of own funds in CRD. If this definition is amended, this will change the capital which AIFM are permitted to count towards their regulatory capital requirements.

Third, PE/VC firms manage or advise alternative investment funds which invest in companies that use basic banking services. The companies range from start up companies, through growth capital to larger established businesses. In common with other EU companies, companies owned by private equity funds rely on a stable and well regulated banking sector to provide secured and unsecured loan facilities, together with other basic banking services such as deposit taking. Private equity backed companies suffer in an environment where bank lending is constrained in exactly the same way as other public and privately owned companies. For this reason, we support the Commission's work in revisiting the existing banking capital framework and welcome measures to promote medium to long term bank stability through increasing bank capital and the introduction of countercyclical measures. We would encourage the Commission to calibrate the changes to take into account the short term effect of introducing new requirements. Since 2008 there has been a reduction in bank business lending. We strongly urge the Commission to avoid introducing the new measures in a way which will contribute to this, thus starving European companies of the funds they need to carry them through the current economic downturn and to support European growth.

Fourthly, EU banks invest in private equity and venture capital. Some banks invest directly, others through private equity or venture capital funds. The CRD currently contains a number of bespoke provisions setting out how banks should calculate risk weighted exposure amounts for the purpose of calculating credit risk in relation to these investments. We understand no changes are currently proposed to this regime.

Finally, PE/VC firms manage large pools of assets which can be used to invest in EU institutions.