

## DE RULE OF LAW ONDER DRUK – GEVOLGEN VOOR BELEGGERS EN DE FINANCIËLE WERELD

JAARGANG 41 | NUMMER 164 | VOORJAAR 2026

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## CALL FOR PAPERS

### De terugkeer van actief beleggen?

De redactie van het VBA Journaal nodigt u uit om bijdragen in te dienen voor de 2026 najaarseditie. Het thema is dit keer "De terugkeer van actief beleggen?". Na de grote opmars van passief beleggen signaleert de redactie een trendbreuk waarbij zij zich afvraagt of actief beleggen weer terugkeert. Enerzijds doordat geopolitieke ontwikkelingen vragen om het actiever bijsturen van de portefeuille (top-down) en anderzijds doordat de enorme hoeveelheid beschikbare en gebruikte passieve benchmarks steeds meer een actief karakter krijgen door bijvoorbeeld aanpassingen op het gebied van duurzaamheidscriteria. Dit laatste wordt versterkt door de grote drang van asset-owners om customized ('actieve') benchmarks te gebruiken op basis van hun eigen customized benchmark regels. Keert via oorzaken actief beleggen inderdaad terug, zijn er andere goede of minder goed onderbouwde redenen voor een groter aandeel van actief beheer of is er iets anders aan de hand?

### Onderwerpen van interesse

We verwelkomen bijdragen die ingaan op, maar niet beperkt zijn tot, de volgende onderwerpen:

- **Geopolitiek vraagt om actieve bijsturing:** Geldt dit alleen op asset class niveau, of ook binnen asset classes qua thema's, sectoren en/of andere 'risico'-factoren en/of stijlen?
- **Total Portfolio Approach:** TPA wordt regelmatig aangehaald als de nieuwe heilige graal om portefeuilles efficiënter te richten op de combinatie van klanteisen m.b.t. rendement/risico en de marktomgeving. Kan dit meer actieve beheer echt bijdragen of is het TAA is een ander (marketing?) jasje?
- **Benchmark indices op maat:** Zie boven. En wat zijn de gevaren als de voortschrijdende trend van meer customization zich voortzet? En hoe wordt omgegaan met performance attributie op het grensgebied van actief en passief?
- **Hernieuwde interesse in hedge funds:** Dit is de ultieme vorm van actief beheer over vele verschillende asset classes, instrumenten en long en short. Verdienen zij een grotere plek in de portefeuilles in de toekomst en waarom en/of waarom niet?

- **Diversificatie:** Betekent een grotere mate van actief beheer ook meer ruimte voor (tijdelijke) exposure naar een groter aantal asset classes zoals bv commodities?
- **Toekomst:** Zijn de trends duurzaam of liggen er gevaren op de loer? Wat is de rol van buitenlandse partijen?
- **AI:** wat is de invloed van AI? Zouden markten hierdoor efficiënter worden met als gevolg dat actief beleggen minder rendabel wordt? Of brengt AI juist nieuwe kansen om alpha te genereren?
- **Semi-liquid assets:** de toename van semi-liquide instrumenten zoals BDCs zorgt voor nieuwe risico's en kansen. Ligt er een mogelijkheid om met actief beleid waarde toe te voegen? Wat betekent de opkomst van meer semi-liquide private assets voor de portefeuille-constructie in het algemeen en onder de Wtp?

Geïnteresseerde auteurs worden verzocht uiterlijk **15 mei 2025** een korte samenvatting van hun bijdrage te sturen naar [irma.willemsen@cfasociety.nl](mailto:irma.willemsen@cfasociety.nl).

# De rule of law onder druk – gevolgen voor beleggers en de financiële wereld

De Rule of Law vormt een essentieel fundament onder het functioneren van financiële markten. Beleggers baseren hun allocatie-beslissingen op voorspelbare wet- en regelgeving, onafhankelijke rechtspraak en consistente handhaving van contract- en eigendomsrechten. Wanneer deze randvoorwaarden onder druk komen te staan, nemen onzekerheid en risicopremies toe en kan kapitaal minder efficiënt worden ingezet. Daarmee raakt de rechtsstatelijkheid direct aan rendement, risico en de stabiliteit van het financiële systeem.

In deze editie van het VBA Journaal staat de vraag centraal wat het betekent voor beleggers wanneer de rechtsstatelijke orde verzwakt.

Jitzes Noorman beantwoordt de vraag welke beleggingsrisico's gepaard kunnen gaan met een mogelijk proces van autocratisering in de Verenigde Staten. Tegen de achtergrond van discussies binnen Nederlandse pensioenfondsen over de hoge weging van Amerikaanse aandelen, hoge waarderingen en het beleid onder president Trump, richt het artikel zich specifiek op de institutionele en politieke dimensie van dit risico.

Alberto Jaci gaat in op de vraag hoe rechtszekerheid voor grensoverschrijdende investeerders binnen het Europese privaatrecht beter kan worden verankerd. Tegen de achtergrond van een onder druk staande rule of law analyseert hij hoe juridische voorspelbaarheid functioneert als voorwaarde voor rationele kapitaalallocatie en langetermijninvesteringen.

In het interview met Giulia Pellegrini, staat de rule of law centraal als bepalende factor binnen actieve EM-debt strategieën. Tegen

de achtergrond van geopolitieke fragmentatie en institutionele onzekerheid wordt besproken hoe rechtsstatelijke ontwikkeling niet alleen een risicofactor is, maar ook een bron van alpha kan vormen. Volgens Olaf van den Heuvel, wordt de rule of law benaderd als concrete beleggingsrealiteit binnen een brede multi-assetcontext. Governance, voorspelbaarheid van beleid en bescherming van rechten zijn volgens hem integraal onderdeel van krediet- en aandelenanalyse, en raken direct aan fiduciaire verantwoordelijkheid.

Michael Kurz onderzoekt de dubbele rol van de Amerikaanse dollar als veilige haven en dominante reservemunt, en analyseert in hoeverre deze status onder druk staat. Centraal staat de vraag welke structurele krachten – marktstructuur, regelgeving en geopolitieke fragmentatie – het traditionele safe haven-mechanisme verzwakken en welke implicaties dit heeft voor het valutahedging-beleid van institutionele beleggers.

Keshav Bhatt analyseert via een event study hoe markten valuta-diversificatie interpreteren als geopolitieke risicovermindering, aan de hand van de Saudi-RMB swap van november 2023.

Jorik van Zanden en Tjitsger Hulshoff gaan in op de nieuwe Europese pensioenvoorstellen. Waarom zijn deze voorstellen nodig, en zullen deze voorstellen leiden tot een Europese pensioenmarkt?

Tenslotte gaat Amlan Roy in op de betekenis van de rule of law voor gender equality en waarom dit economische groei stimuleert.

Wij wensen u veel leesplezier!

Marlies van Boven, Tjitsger Hulshoff RBA & Jorik van Zanden

# Social Impact = Financial Necessity: Why Real Estate Can No Longer Ignore the "S"

On 10 February 2026, CFA Society Netherlands & IVBN organised an inspiring event in the Olympic Stadium in Amsterdam where one message rang loud and clear: **social impact in real estate is no longer a moral add-on – it is becoming a financial necessity**. Three speakers approached this theme from distinctly different angles, yet arrived at the same conclusion.

**Amelia Peden (Morningstar Sustainalytics)** set the tone by placing the discussion in broader perspective and presenting data on the matter. She demonstrated how social factors – from tenant safety and community relations, to human capital management – are not "soft issues" but **material drivers of enterprise value**. Using Sustainalytics' ESG Risk Ratings framework, she showed that companies with lower unmanaged ESG risk, including social risk, tend to be more resilient during periods of market stress. For real estate investors, the implication is clear: social risk is investment risk, and managing it well contributes to long-term performance rather than detracting from it.

The conversation then became more practical and moved from measurement to practice with **Nicole Maarsen's "Social Real Estate 2.0"**. Her presentation explored the *gentrification paradox*: the same urban regeneration that creates value for

investors can also trigger displacement, social backlash and political intervention if poorly governed. Through concrete European examples, from cities in the Netherlands to Denmark, she illustrated how **governance, ownership mindset and stakeholder alignment** determine whether social dynamics become a source of instability or a foundation for durable value creation. Her key message resonated strongly: *impact is not a moral layer on top of finance; it is increasingly part of financial logic itself.*

Finally, **Wim Wensing (NLV)** connected impact thinking directly to portfolio construction and illustrated the perspective on the matter through the lens of a Dutch pension fund. He presented how social impact can be systematically embedded into real estate investment strategies, alongside climate and environmental considerations. By translating concepts such as liveability, affordability and community into concrete KPIs, governance frameworks

and investment decisions, he made a compelling case that **socially aware portfolios are better positioned for future regulation, lower volatility and stronger long-term returns**. The conclusion was pragmatic rather than idealistic: real estate can – and should – play a leadership role in shaping resilient cities and societies.

Together, the three presentations formed a powerful narrative: **from measurement, to strategy, to implementation**. What followed was a panel discussion between panellist and audience on the matter lead by Mark Siezen (Bouwinvest), chair of the event. The takeaway for investors was unmistakable. The question is no longer whether social value belongs in real estate portfolios, but whether portfolios that ignore it will remain investable as markets, cities and societies continue to change.

*Friso Berghuis RBA*



# Round table investment performance 2025

The 16<sup>th</sup> CFA Society Netherlands investment performance round table was held Thursday, November 27, organized by the Committee Investment Performance Measurement. This annual event targets performance professionals, presents insights on actual performance themes and provides an opportunity to meet people working in the field. Also this year we look back on a fun, insightful and engaging day, and would like to share a summary of the event.

Eric de Rouw, the newly appointed chairman, opened the program and shared an update on Z-score and GIPS developments. After this kick-off we had three very interesting speakers. Throughout the presentations questions were asked to the audience, resulting in lively and interactive sessions.

- Mitchell Boelee from APG provided practical insights into rebalancing dynamics within the New Pension Contract (NPC). Under NPC, both market returns and interest rate developments, along with changes in pension administration, have a significant impact on rebalancing dynamics (including matching & return allocation and interest rate hedging). He gave insights in what rebalancing under NPC looks like. Additionally, he presented tooling to simulate and mitigate the month time delay in data delivery.

- Dorrie Fleuren from MN discussed valuations for private markets. She gave a valuable presentation on challenges, potential approaches and MN practices on valuation of illiquid assets. This topic has always been relevant, and with the transition to the New Pension Contract even more so.

- David Janssen, independent contractor and committee member, presented on ESG driven concentrated equity portfolios. He showed a constructive review on performance measurement, attribution and disclosure practices for ESG investment decisions. Additionally, he provided recommendations on how to deal with ESG from a reporting, transparency and disclosure perspective.

The day was concluded with an interactive session on various statements on hot topics

(AI, attribution, and the developing role of performance analysis) within Performance Measurement. Again, this led to a lively discussion, with valuable insights.

We closed the day with drinks and snacks, allowing an opportunity to further discuss and network.

The next round table is scheduled for 19 November 2026, we will share further details later and hoop to see you there!

*On behalf of the Committee Investment Performance Measurement  
Victor van Enter*

## AGENDA

3 juni 2026

Under the WTP, ethics is not ancillary to investment policy. It is central



25 november 2026

Dutch Round Table IPM



## CFA RESEARCH CHALLENGE

# Two teams to the next round!

*By Alex Morozov, CFA and Heleen de Vlaam*

The CFA Institute Research Challenge is an annual equity research competition among student teams from global universities' business and finance programs that tests the skills of students in terms of fundamental analysis and equity valuation.

This year's CFA Research Challenge-Benelux was the most successful competition in the history in terms of its reach. We had 24 teams participating, including several first-time entrants. Given the number of entries, we continued with our expanded 4-team local finals, and, given large competitor field, for the first time ever we opted to send two finalists to the next level!

At the kick-off we disclosed this year's "target" company; Netherlands-based Universal Music Group. Every year we try to challenge students when it comes to business complexity, and this year was no different. Universal Music Group is the largest music company in the world, representing artists such as Taylor Swift, Kendrick Lamar and Ariana Grande. It is also a firm potentially threatened by the advancements in the field of AI, which made this year's task that much more challenging for the students.

At the company day, one of the true highlights of the Research Challenge – Benelux, 118 students from leading universities across the Netherlands, Belgium, Luxembourg, and Morocco had the opportunity to engage directly with Remco Vergeer, the VP of Investor Relations at Universal Music Group. The day also featured insightful sessions from industry experts, including: Robbert Manders, CFA on balancing valuation techniques and common pitfalls; Jamie Coombs on the role of AI in company analysis; Kaili Mao, CFA on ESG integration in investing and equity valuation; and Matthew Dolgin, CFA on historical market trends

These sessions – as well as the access to the Refinitive for Students platform provided by our sponsor LSEG – provided students with valuable, real-world perspectives to support the development of their research reports.

The reports quality was very good this year, and 4 finalists – Rijksuniversiteit Groningen, University of Luxembourg, Erasmus University and Tilburg University – received average marks among the highest in the history of competition! Notably, we had representation from Luxembourg for the first time ever.

At the finals student teams are asked to present their findings to a three-person jury, comprised of industry professionals, some closely familiar with the company being analyzed. Each team has 10 minutes to present their case, followed by 10 minutes of Q&A from members of the jury. This year's

jury was comprised of Ton van Ooijen (APG), Allen Good (Morningstar) and Marc Hesselink (ING).

As always presentation order was determined by a lottery. Four rounds of impressive presentations followed. The jury members asked very challenging questions, but the teams were well-prepared and defended their analysis very well, during the Q&A. During the break the judges deliberated and our gracious hosts at the historic building of Euronext allowed the students a glimpse of what life is like on trading floor and of the beautiful boardroom.

The proud winners: team Rotterdam School of Management



Honorable second: team University of Groningen



While all report grades were close, the presentations revealed one clear and unanimous winner. Team Erasmus received the highest grade from all judges, who complimented the team's compelling investment case supported by well-articulated and organized evidence. University of Groningen, which had the highest-graded report, was a close second. Both of these teams will now represent the Benelux region at the sub-regionals. Congratulations to Erasmus University's Wei-Chen Chang, Caterina Chellini,

Bruce Hooikaas, Boris Petrašovič, and Beatrice Skietryte counselled by their faculty advisor Solomon George Zori PhD, (ACCA) and industry mentor John Vuong, CFA. Also congratulations to University of Groningen: Barnabás Bognár, Wytze Putker, Sebastian Bratthall, Courtney Götte, Francesca Pecoraro, counselled by their faculty advisor Oliver Herrmann and industry mentor Jerome Sfeir, CFA.

The local champions advance to the regional competitions in the Americas, Asia Pacific,

and Europe, Middle East, and Africa (EMEA) and then to the Global Final. Additional information on the Research Challenge is available on the CFA Institute website.

Organizing the research challenge is an enormous yet rewarding task that requires the contribution of a large number of volunteers ranging from the organising team, to student-team mentors and research report graders. Given the ongoing success of the competition, we need more volunteers! If you would be interested in joining this team please make your interest known ([info@cfasociety.nl](mailto:info@cfasociety.nl)), so that we can continue to organize this exciting and career-launching learning experience for students!

The CFA Institute Research Challenge is an annual global competition that provides university students with hands-on mentoring and intensive training in financial analysis and professional ethics. In order to promote best practices in equity research and company analysis, students research, analyze, and report on a company as if they are practicing analysts.

To learn more, visit the CFA Institute website [www.cfainstitute.org](http://www.cfainstitute.org) or the Students pages of [www.cfasociety.nl](http://www.cfasociety.nl). We encourage you to join the team!

All finalist during the tour at Euronext



# Rob Langrick at CFA Society Netherlands

On 12 February, CFA Society Netherlands hosted a series of activities that once again highlighted the versatility and vibrancy of our Society and its community.

We were honored to welcome Rob Langrick, CFA, CIPM, Chief Product Advocate at CFA Institute, as our special guest. Bringing a global perspective and deep experience across the investment profession, Rob enriched the day with thoughtful insights and engaging stories that added depth to the conversations throughout the program.

The program reflected the breadth of the Society's activities and community. It included the launch of our mentorship program – with the highest number of mentor-mentee pairs to date – a session for CFA candidates highlighting the three professional specializations within the CFA Program, an AI-focused lunch for relations in private wealth management, a closed roundtable with partners on developments in artificial intelligence, and a Meet & Greet bringing members together.

Events such as these come to life thanks to the dedication of our volunteer members, who generously contribute their time and expertise. Their efforts enable others in our community to connect, learn and grow together.

Altogether, the day offered a fitting reflection of who we are as a Society and of the role CFA Society Netherlands plays at the heart of the investment profession in the Netherlands.



# Interview with Rob Langrick, CFA, CIPM on Artificial Intelligence use in Investment Management

CHIEF PRODUCT ADVOCATE, CFA INSTITUTE

By Andrej Antonijevic, CFA

## AI AND EXISTING INVESTMENT WORKFLOWS

*Many investment organisations are integrating AI into workflows that were originally designed for human-led research and decision-making. Where do you see the biggest opportunities, and where do the biggest frictions arise in practice?*

It is important to recognize that integration of AI into workflows is predominantly happening at the task level. At CFA Institute we map the tasks of many job roles. There are many opportunities for AI to accelerate key tasks in many investing workflows, in particular the more rote roles such as performance measurement or research roles in which you want the context window to be as wide as possible. I heard a great recent example of how the Norwegian Sovereign Wealth Fund is using generative AI to find risk factors that have been missed by the investment team. I saw this in action at the recent CFA Institute



Research Challenge final in Dublin which I was judging. I asked the team how the recent historically wet weather may be impacting the home builder they were pitching and Claude had already guessed that I would ask that. Forewarned is forearmed! I think the fund performance measurement function is another prime opportunity for AI to accelerate tasks and workflows.

The biggest frictions arise from the fact that AI is probabilistic. Ask it the same question three times in a row and you get three different answers. This makes finance professionals distinctly uncomfortable.

*As firms move from experimentation to real adoption, which parts of the investment workflow have proven most receptive to AI tools, and which remain hardest to change?*

Of the several job roles and workflows, the research workflow has high adoption, in particular when it comes to dealing with earnings call transcripts and company documentation such as annual and quarterly reports. Part of the life of a research analyst is spent hunting for needles in haystacks. For instance the most important data point given by Pizza Express is the price ramp, but they only disclose it selectively at capital markets day presentations...sometimes. The broad context window that you can get with tools like Gemini and NotebookLM and some of the inbuilt newer tools on both Bloomberg and FactSet dramatically increase ones ability to find these highly prized data points faster than before 2022. As a general rule, the closer you get to high stakes client meetings, the harder it is for AI to change behaviors and workflows. Client work is anything but rote and there is zero tolerance for errors. Which means that

absolutely every data point has to be checked and in some cases redone which drives resistance to doing it this new way.

## INVESTMENT JUDGMENT, DATA, AND GOVERNANCE

*AI systems can now generate research insights, portfolio proposals, and risk scenarios at scale. What does this mean, in concrete terms, for how investment judgment should be exercised, reviewed, and documented?*

Very, very carefully. There's a saying in the market place that you "still need a human in the loop". This strikes me as a little of a euphemism. For now, you need more like an army of fact-checkers. I recently saw a demo of EY's new audit AI tool. Ostensibly it did the first cut of a company audit in minutes. When I asked them what they would now do with the time savings – hire fewer people, or do more audit work – they replied "neither". Instead they anticipate having the same size team initially spend pretty much as long checking the outputs as they used to spend doing it the traditional way.

In terms of documentation, we have had Research Management Solutions for well over ten years now, where equity and credit analysts have to document their hypotheses which keeps them honest. If any material decision drivers were arrived at using AI then this too should be documented as a reason a trade was made.

In terms of judgment, you still have the good old fashioned "sniff test", "laugh test" and "what do you have to believe test" to be preliminary plausibility screens on AI output.

***Governance frameworks in investment management were built around human accountability. How should firms rethink governance and oversight as AI increasingly influences investment decisions?***

As far as I am aware, nobody has thus far successfully blamed their robot for something it has done on their behalf in the client services business. We have seen judges sanction human attorneys (not their robots) for having fake cases on their briefs. Blaming the robot is just not going to fly in either a court of law or the court of public opinion. Even a junior telling their MD that a number in a draft client deck came from AI would be a career limiting move.

What we do see happening in practice is the hiring and reassignment of humans to check robot AI output. And so from a governance perspective all firms will need to answer the question of what processes, practices and policies they have in place to oversee safe AI usage.

***Data quality and model governance are often cited as critical challenges. In your experience, where do firms most commonly underestimate the demands of data readiness when deploying AI?***

When you look at some of the latest intelligence layer products like Claude for Financial Analysts, you must never forget the age-old maxim "garbage-in-garbage-out". It requires contributor agreements with the data vendors to fuel the platform. And the platform is only as good as its data inputs and context window. Ultimately you run into the age-old issues of data quality in the market data landscape – how could you not? And in addition there is a new "Swiss cheese" problem whereby the new tools may have sparse contributor relationships which hamstringing the quality and accuracy of answers and outputs they can give.

**TALENT, SKILLS, AND THE FUTURE OF WORK**

***You have introduced the 8Cs as a framework for future-proofing investment careers. Which of these human capabilities become more important as AI adoption accelerates, and why?***

So to recap the 8Cs are Collaboration, Communication, Creativity, Curiosity, Continuous learning, Current affairs, Cross-

cultural understanding and Credentials. There is so much that AI cannot do. It is inherently unoriginal. It lacks the context window of our day-to-day lives, the people we speak to and the things we learn face to face. When you listen to enough podcasts interviewing business leaders, if you did a word cloud of the 8Cs the one that towers above the others is curiosity.

The reason that perhaps curiosity is the aristocrat among the 8Cs is that asking "why" repeatedly is the road to breakthrough discoveries and innovations. Remember – even with the advent of generative AI, it is still the humans who are asking the questions and curiosity fuels better and better questions.

***Alongside human capabilities, AI adoption requires new technical skills. Which technical competencies are becoming essential for investment professionals, even for those not building models themselves but using the technology?***

Quite simply prompt engineering. In just a one hour tutorial you can become a lot better prompter. Setting the context of a query. Explaining the role you want the robot to play. Explaining how you expect the outputs to look. There is a series of easy tips to get much better results from generative AI and I would argue these are essential, and relatively quick to learn. Also having strong foundational knowledge and skills in your chosen field is now more important than ever in order to do the "sniff test" and detect rot coming from generative AI.

***Many firms assume AI will mainly augment existing teams. To what extent can current investment professionals realistically be retrained, and where are new roles or talent profiles unavoidable?***

There's a famous sovereign wealth fund manager CEO who says of AI learning it's "on the bus or on your bike". To some extent therefore, those mid or late career professionals who resist enterprise deployment of AI may find that their recalcitrance and obstinacy is career limiting. I think the adoption by individuals will be case by case. Humans have a strong urge not to change the way they do things today – the Semmelweis reflex. And so some of the less adaptable or obstinate may indeed fall by the wayside.

If there is a major platform shift to "intelligence layer" solutions like Claude and Glean then there may also be a generational shift whereby younger staff adopt these tools quickly while older staff do not. This could result in stratification of the workplace. What we are seeing ironically is that older more experienced staff are getting the most benefit from using generative AI as they are better equipped to sanity check the outputs

**PLATFORMS, PRODUCTS, AND CLIENT INTERACTION**

***AI is increasingly delivered through integrated toolkits and platforms rather than standalone models. What are the implications of this platform shift for how investment decisions are made and controlled within firms?***

We see a myriad deployments at financial institutions. The reality is that these decisions tend to get made centrally and an employee has to go with the flow, use the tools they have been given and learn them.

Similarly the decision-making will hew to that new tool ecosystem in a firm.

So say you are at the Norwegian Sovereign Wealth Fund, they are going to have expected you to ask Claude for risks that you may have missed as part of your investment process.

No doubt the Chief Investment Officers also will plug into the new platform deployments and they may institute their own new process steps to pulling the trigger.

***Beyond internal workflows, AI is beginning to affect product development and client interaction, particularly in private wealth management. How can firms use AI to enhance products and client engagement without weakening trust, transparency, and professional standards?***

Many private wealth clients in the mass affluent and above tier want customized portfolios of some sort. Insofar as generative AI can custom build funds and ETFs for the client's specific interests for instance a "space" ETF, then everybody wins. Provided the production process is made clear to the client with appropriate quality control and safeguards.

# Welke beleggingsrisico's brengt de autocratisering in de VS met zich mee?

EEN SCENARIO-ANALYSE GEEFT AAN DAT VALUTARISICO HET GROOTSTE RISICO IS

*Jitzes Noorman*

## INLEIDING

Een belangrijk discussieonderwerp bij Nederlandse pensioenfondsen momenteel is de exposure naar Amerikaanse aandelen. Deze discussie wordt ingegeven door zorgen omtrent het hoge gewicht van de VS in aandelenportefeuilles, de hoge waardering, en het beleid van president Donald Trump. Voorts beginnen de Verenigde Staten meer autocratische trekken te vertonen. Dat laatste is onderwerp van dit artikel.

In dit artikel wordt na het behandelen van de definities van democratie en autocratie, het democratisch gehalte van de Verenigde Staten ingeschat op basis van enkele externe bronnen. Dan volgt een scenario-analyse van de risico's voor financiële instrumenten in het geval sprake is van autocratisering. Dat gebeurt vanuit een theoretisch alsook vanuit een empirisch perspectief. Het artikel sluit af met enkele nuanceringen.

## DEFINITIES DEMOCRATIE EN AUTOCRATIE

Een **democratie** is een bestuursvorm waarin de macht bij het volk ligt. Deze bestuursvorm kenmerkt zich door vrije en eerlijke verkiezingen waarbij burgers hun vertegenwoordigers kunnen kiezen. Een fundamenteel principe is de scheiding der machten, waarbij de wetgevende, uitvoerende en rechterlijke macht onafhankelijk van elkaar functioneren. De rechtsstaat ("rule of law") vormt de basis, wat betekent dat iedereen gelijk is voor de wet en dat de overheid zich aan de wet moet houden. Daarnaast worden de vrijheid van meningsuiting en persvrijheid gewaarborgd, zodat burgers zich vrij kunnen uitdrukken en informatie kunnen delen. De bescherming van mensenrechten is een ander essentieel kenmerk, evenals de verantwoordingsplicht van overheidsfunctionarissen tegenover de burgers.

Een **autocratie** daarentegen is een bestuursvorm waarin de macht geconcentreerd is bij één persoon of een kleine groep. Dit systeem wordt gekenmerkt door de afwezigheid van vrije verkiezingen, waardoor burgers geen echte keuze hebben in hun leiderschap. Er is geen scheiding der machten, omdat de uitvoerende macht alle andere machten domineert. Burgerlijke vrijheden, inclusief de vrijheid van meningsuiting, zijn sterk beperkt. Autocratische regimes maken vaak gebruik van geweld of repressie om hun macht te behouden en er is geen verantwoordingsplicht van de leiders tegenover het volk.

## AFNEMEND DEMOCRATISCH GEHALTE VS

Sinds President Trump is begonnen aan zijn tweede termijn staat de democratie in de VS onder druk en beginnen de Verenigde Staten steeds meer autocratische trekken te vertonen.

Er zijn verschillende belangrijke voorbeelden van acties die worden gezien als ondermijnend voor de Amerikaanse democratie. Zo is er sprake van politieke vervolging van tegenstanders, waarbij onder meer het ministerie van Justitie zou zijn ingezet tegen personen als James Comey en Adam Schiff. Daarnaast wordt de scheiding der machten aangetast door het marginaliseren van het Congres en het herallocceren van fondsen zonder de vereiste goedkeuring. Ook de rechterlijke macht ligt onder vuur, bijvoorbeeld door publieke aanvallen op rechters en pogingen om hun bevoegdheden te beperken. Verder is er sprake van mogelijk misbruik van presidentiële bevoegdheden door het intensief en verstrekkend gebruik van executive orders. Tegelijkertijd worden

Jitzes Noorman RBA  
DCIO & Investment Strateeg, Columbia Threadneedle Investments



vrije pers en civiele instellingen onder druk gezet via aanvallen op media en universiteiten, het intrekken van licenties en juridische stappen tegen kritische platforms. Ten slotte wordt verwezen naar de militaire actie in Venezuela die plaatsvond zonder voorafgaande goedkeuring van het Congres, wat de constitutionele controles verder onder spanning zet.

Volgens meerdere instituten is de VS formeel nog wel een democratie, maar is er wel sprake van zorgwekkende trends en verslechterende democratische scores:

**Freedom House**<sup>1</sup>: dit instituut rapporteert jaarlijks over politieke rechten en burgerlijke vrijheden. Met een ‘Freedom of the World Index’ score van 0–100 worden landen geïnclassificeerd als Free (70-100), Partly Free (35-69), of Not Free (0-34). Het laatste oordeel over de VS is gebaseerd op informatie tot en met eind 2024. De VS kent de status “Free”. Met 84/100 scoort de VS boven de 70, maar wel lager dan bijvoorbeeld Finland (enige land ter wereld met een perfecte score van 100), Noorwegen (99), Nederland (97) en Duitsland (95). Aan de andere kant van het spectrum bevinden zich China (9) en Rusland (12). Beiden krijgen de status “Not Free” toegewezen.

De score van de VS is sinds 2021 stabiel (in 2024 was zelfs sprake van 1 punt stijging). Tijdens het eerste presidentschap van Donald Trump (januari 2017-januari 2021) is de score aanzienlijk gedaald. In het eerste jaar van 89 tot 86 (Freedom House noemde onder andere vermenging overheid en privé zaken, en executive orders) en in het laatste jaar van 86 tot 83 (Freedom House noemt onder andere de weigering van Donald Trump om zijn verkiezingsnederlaag te erkennen).

In het laatste rapport noemt Freedom House als zorgen de erosie van democratische instituten, politieke polarisatie, druk op het verkiezingsproces, het disfunctioneren van het strafrechtstelsel en het immigratiesysteem, en groeiende verschillen in welvaart, economische kansen en politieke invloed.

**V-Dem Democracy Report**<sup>2</sup>: het “Varieties of Democracy (V-Dem)” instituut (onderdeel van de Universiteit van Göteborg, Zweden) onderhoudt een zeer gedetailleerde dataset voor alle landen (600+ indicatoren, sinds 1789). Dit gebeurt mede op basis van wereldwijde samenwerking tussen academici. Het doel is het doorgronden van democratie. V-Dem meet onder andere verkiezingsintegriteit, media-vrijheid, rechtsstaat en participatie. Het laatste rapport dat betrekking heeft op data uit 2024 geeft aan dat het democratisch gehalte wereldwijd al circa twintig jaar daalt.

Voor het eerst in twintig jaar zijn er nu minder democratieën (88) dan autocratieën (91), en leven drie op de vier personen wereldwijd nu in een autocratie.

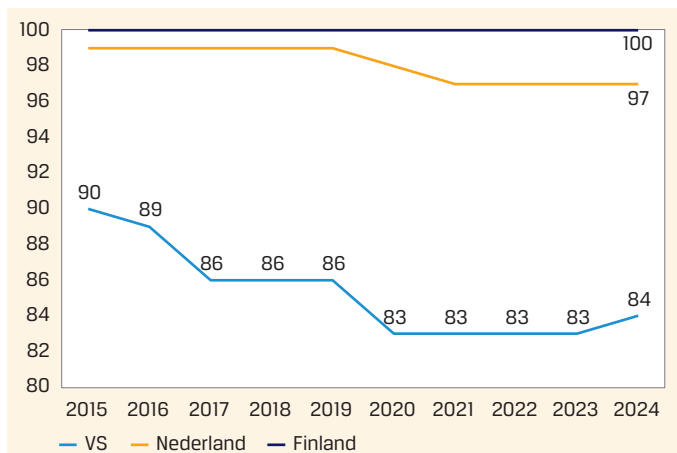
Op basis van 2024 data wijst V-Dem de Verenigde Staten toe aan de hoogste van de vier categorieën, namelijk “Liberal democracies”. De “Liberal Democracy Index (LDI)” score voor de VS is 0,75 (op een schaal van 0,00 tot 1,00). Ter referentie; Noorwegen, Nederland en Duitsland scoren respectievelijk 0,84, 0,79 en 0,76. China en Rusland scoren respectievelijk 0,04 en 0,06. Tien jaar geleden kende de VS een V-Dem score van circa 0,85. Deze daalde in 2017 – het eerste jaar van Donald Trump’s eerste presidentschap abrupt van 0,83 tot 0,74. Gedurende het presidentschap van Biden nadien is de score weer iets gestegen.

V-Dem geeft in het laatste rapport aan dat de VS een autocratiserend land is en dat recente zorgwekkende ontwikkelingen niet zijn weergegeven in de V-Dem gegevens welke betrekking hebben op data tot eind 2024. Zo bevat het rapport een speciale Box genaamd “USA – A democratic breakdown in the making”, waarin wordt aangegeven dat de Verenigde Staten onder Trump’s tweede termijn de snelste autocratisering in de moderne geschiedenis doormaken, waarbij Trump met ongekennde snelheid democratische instituties aanvalt via het ondermijnen van de rechtsstaat, het wegsturen van onafhankelijke ambtenaren en het beperken van persvrijheid.

Deze systematische aanvallen op “checks and balances” doen analisten vrezen voor een mogelijke democratische ineenstorting.

**Protect Democracy / Authoritarian Threat Index**<sup>3</sup>: een minder bekende, maar actuelere index is de “Authoritarian Threat Index”. Deze wordt gepubliceerd door “Protect Democracy” – een ideologische nonprofit groep – tezamen met (ruim 1000) onafhankelijke experts van de “Authoritarian Warning Survey”. Gebaseerd op zes perspectieven wordt een inschatting gemaakt van de mate van dreiging voor de democratie op een schaal van 1 (‘gezonde democratie’) tot 5 (‘totale dictatuur’). De Verenigde Staten scoren 3,4 (per oktober 2025). Ofwel, er is reeds sprake van ‘ernstige dreiging’ voor de democratie. Daarmee scoren de VS aanzienlijk slechter dan bijvoorbeeld Duitsland en Canada (allebei: 1,5) en grofweg gelijk aan India (3,5).

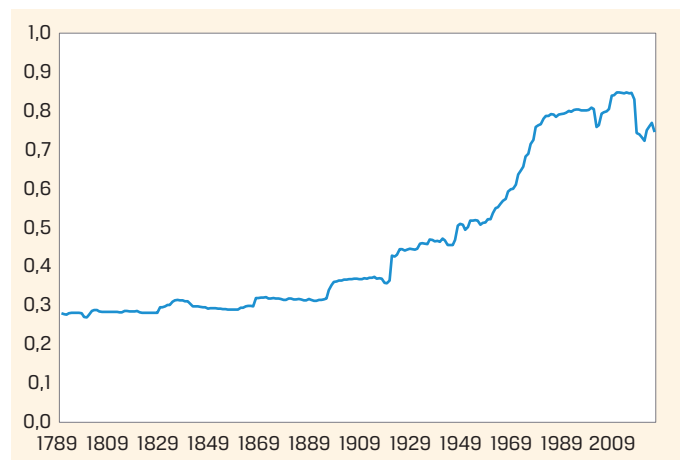
Figuur 1  
Freedom House scores afgelopen tien jaar



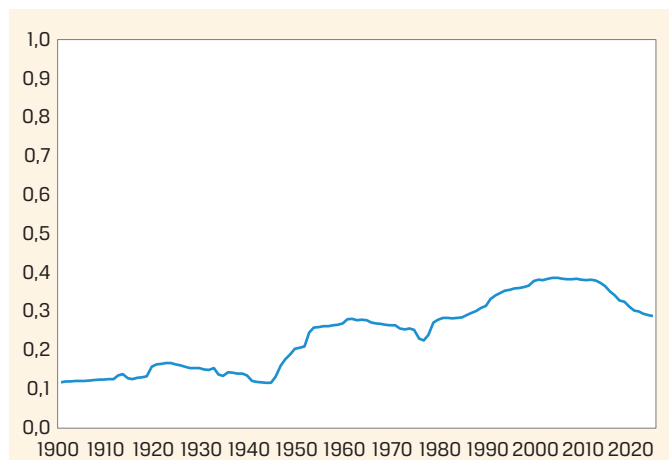
Bron: Columbia Threadneedle Investments, Freedom House, 2025

Figuur 2  
V-Dem "Liberal Democracy Index" score (t/m 2024)

Verenigde Staten



Wereld (populatie-gewogen)



Bron: Columbia Threadneedle Investments, V-Dem Institute, 2024

## RISICOANALYSE – AANDELEN IN EEN AUTOCRATISCH SCENARIO

Gezien de toenemende risico's voor de democratie in de VS, is het de vraag welke risico's een transitie naar een autocratie met zich meebrengt voor Amerikaanse financiële instrumenten.

In deze sectie wordt die vraag behandeld vanuit een theoretisch perspectief en een empirisch perspectief.

### THEORIE

Een transitie van een democratie naar een autocratie brengt in theorie risico's met zich mee voor beleggingen in Amerikaanse aandelen. Een verzwakking van de rechtsstaat ondermijnt het vertrouwen in de rechtspraak en daarmee het investeringsklimaat. Dat leidt doorgaans tot lagere economische groei en lagere waarderingen – factoren die beide drukken op aandelenkoersen. Ook een beperking van persvrijheid en transparantie heeft negatieve consequenties. Wanneer informatie minder betrouwbaar wordt, stijgt de vereiste risicopremie en wordt kapitaal minder efficiënt gealloceerd. Dat is eveneens nadelig voor beurswaarderingen.

Daarnaast kan politieke instabiliteit leiden tot hogere volatiliteit, oplopende risicopremies en zelfs kapitaalvlucht. Ook kan autocratisch beleid handelsbeperkingen of consumentenboycots uitlokken, met negatieve gevolgen voor de exportpositie en winstgevendheid van Amerikaanse multinationals, en daarmee voor hun aandelen. Verder nemen ESG-risico's toe wanneer een autocratisch regime mensenrechten schendt of milieuschade veroorzaakt. Dat kan buitenlandse investeerders ertoe bewegen om hun kapitaal terug te trekken, wat de aandelenmarkt extra onder druk zet.

Tot slot kunnen in zo'n scenario zowel de US-dollar als Amerikaanse staatsobligaties onder druk komen te staan. Een uitstroom van kapitaal leidt in theorie tot een zwakkere dollar en hogere lange rentes. Als bovendien de onafhankelijkheid van de Federal Reserve wordt aangetast, kan dat deze

dynamiek verder versterken. Hogere rentes en een zwakkere valuta wegen vervolgens op de winstmarges van Amerikaanse bedrijven en vormen daarmee een extra tegenwind voor aandelenkoersen.

Kortom, in theorie zou een transitie naar een autocratie negatief kunnen uitpakken voor Amerikaanse aandelen, Amerikaanse staatsobligaties en de US-dollar.

### EMPIRIE

In deze sectie komen enkele relevante historische voorbeelden van landen aan bod die transformeerden van democratie naar autocratie. Daarbij komen de consequenties aan bod die dit had voor het economisch beleid en financiële activa.

#### Rusland (2000-2012)

**Politieke ontwikkelingen:** na de val van de Sovjet-Unie in 1991 was sprake van een democratie in Rusland. In 2000 won Poetin de presidentsverkiezingen. Freedom House classificeerde Rusland van 1991 tot 2004 als "Partly Free". Door het onderdrukken van onafhankelijke media en oppositie partijen hanteert Freedom House sinds 2005 "Not Free" voor Rusland onder leiding van Poetin. Sinds 2007 bestempelen de meeste politologen Rusland als volledige autocratie. De relatie met de rest van de wereld verslechterde door de annexatie van de Krim in 2014 en de invasie van Oekraïne in 2022.

**Economisch beleid:** Vanaf 2000 was sprake van een relatief conservatief begrotingsbeleid, mede dankzij olie-inkomsten. Wel is de schuldquote afgelopen jaren iets opgelopen door sancties en fors stijgende defensie-uitgaven. Toch bedraagt de schuld (per 2024) nog steeds niet meer dan 20% van het BBP. De inflatie bedroeg gemiddeld grofweg 10% sinds 2000 met pieken van 17% in 2015 en 2022. Tot 2014 was het valutabeleid gericht op een koppeling met een mandje harde valuta's. Na de invasie van de Krim is overgegaan op een zwevende wisselkoers om kapitaalvlucht tegen te gaan en zo de reserves te behouden. De centrale

## Box: Is internationale inkomsten-exposure goed of slecht?

### Exposure naar Amerikaanse aandelen

Eerder is met pensioenfondsen gesproken over de exposure naar Amerikaanse aandelen. Dat werd ingegeven door zorgen omtrent het gewicht van de VS in aandelenportefeuilles, de hoge waardering, en het beleid van President Trump. Op basis van beleggings-overtuigingen, praktische uitvoerbaarheid, en enkele nuances hebben de meeste pensioenfondsen besloten het (marktgewogen) gewicht van de VS in de aandelenportefeuilles niet aan te passen.

Eén van de nuances was dat de landengewichten van aandelen op basis van marktkapitalisatie niet overeen komen met economische exposure. Zo genereren veel grote Amerikaanse bedrijven hun inkomsten buiten de VS, en wordt 35% van de inkomsten van bedrijven in de MSCI ACWI Index gegenereerd in de VS. Dat is aanzienlijk lager dan het 63% gewicht van de VS op basis van marktkapitalisatie.

Dat nuanceerde de zorgen omtrent het hoge gewicht van de VS in aandelenindices in combinatie met eventuele negatieve economische consequenties van het beleid van President Trump. Het feit dat Amerikaanse bedrijven veel inkomsten buiten de VS genereren maakt ze minder kwetsbaar voor een eventuele recessie in Amerika door toedoen van beleid van de VS.

Vanuit het perspectief van deze publicatie – een eventuele transitie naar een autocratie – kan de grote afhankelijkheid van inkomsten buiten de VS Amerikaanse aandelen juist kwetsbaar maken. Een (staart)risico is namelijk dat juist die buitenlandse inkomsten 'at risk' zijn, mocht de VS het mikpunt worden van sancties door andere landen, of in geval van een boycot van Amerikaanse producten diensten door consumenten of overheden.

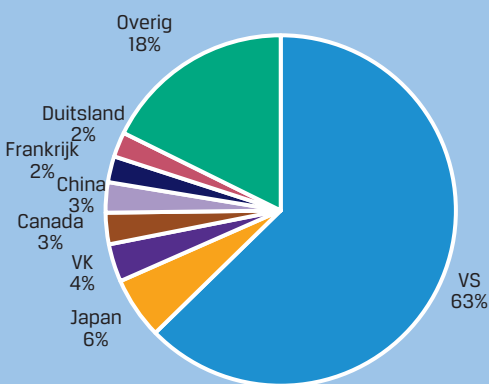
Kortom, het antwoord op de vraag of het feit dat Amerikaanse bedrijven veel inkomsten buiten de VS genereren 'goed' of 'slecht' is hangt af van het perspectief. Is de belegger bevreesd voor het onvoorspelbare economische beleid van Trump en is de voornaamste vrees een Amerikaanse recessie, of is de vrees dat de VS autocratischer en imperialistischer wordt?

### Wat zijn de alternatieven voor marktgewogen aandelenportefeuilles?

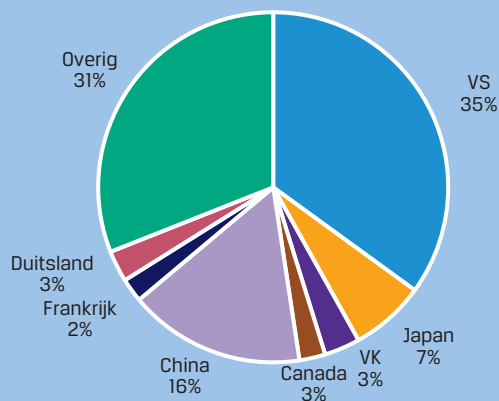
Mocht een belegger wensen af te wijken van een marktgewogen aandelenportefeuille en het gewicht van de VS wensen te verlagen, dan opent dat wel een deur naar een reeks operationele en methodologische vragen. Wordt via één fonds in aandelen ontwikkelde markten belegd bijvoorbeeld dan kan het gewicht van de VS niet zomaar worden aangepast. Er zal dan een "MSCI World ex. USA" fonds of bijvoorbeeld een 'Europa' fonds moeten worden toegevoegd, om het gewicht van de VS te verlagen op totaalniveau. In het geval van een discretionair mandaat is dat makkelijker te verwezenlijken. Maar ook dan resteren enkele arbitraire keuzes, namelijk: welke limiet dient gehanteerd te worden voor het gewicht van de VS (50%?)? Of wordt er gekozen voor een alternatieve wegingsmethodiek? Zo zijn er naast de reguliere marktgewogen 'MSCI World Index' ook "GDP-weighted" en "Equal-weighted" varianten beschikbaar van de MSCI World Index. Deze sluiten echter niet altijd goed aan bij de beleggings-overtuigingen. Ook hebben deze alternatieve indices afgelopen tien jaar lager gerendeerd, terwijl wel sprake was van een hogere volatiliteit alsook hogere omloopsnelheid. Kortom, afwijken van marktgewichten kent de nodige obstakels.

Figuur 3  
Samenstelling MSCI ACWI Index o.b.v. verschillende maatstaven

#### Marktgewogen

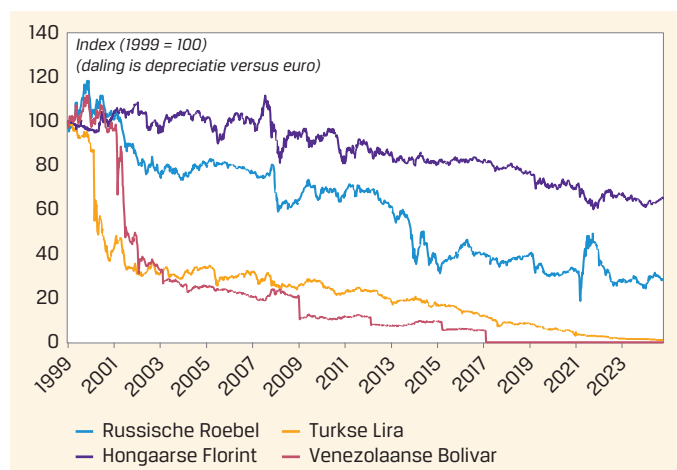


#### Economische Exposure



Bron: Columbia Threadneedle Investments, MSCI, 31 mei 2025

Figuur 4  
Valutaontwikkelingen ten opzichte van de euro



Bron: Columbia Threadneedle Investments, Bloomberg, oktober 2025

bank hanteert geen kunstmatig lage rente, maar richt zich op inflatiebestrijding en het voorkomen van kapitaalvlucht. Zo verhoogde de Russische centrale bank zowel in 2014 als in 2022 de rente kortstondig fors tot respectievelijk 17% en 20% (momenteel 17%).

**Financiële markten:** de Russische roebel heeft sinds Poetin aan de macht kwam in 2000 grofweg –70% van zijn waarde verloren ten opzichte van de euro. De yield op Russische staatsobligaties in de JPM EMBI index liet sinds 2000 tot 2021 wegens de begrotingsdiscipline een daling zien van 15/25% tot circa 3% met tijdelijke pieken van circa 8% tot 12% in 2008 (GFC) en 2014 (Krim). In februari 2022 echter –na de Russische invasie in Oekraïne – stelde de EU sancties in, met een verbod voor EU-beleggers om te handelen in nieuwe Russische staatsobligaties. Daarna volgden indexproviders met de boodschap dat Rusland uit obligatie-indices werd gehaald. Obligatiekoersen kelderden. En veel beleggers konden hun posities niet verkopen. Veel beleggers hebben hun Russische obligaties uiteindelijk op nul gewaardeerd.

Russische aandelen maakten sinds de jaren '90 onderdeel uit van de MSCI Emerging Markets Index, maar werden in maart 2022 verwijderd uit deze index na de invasie in Oekraïne en EU-sancties. De handel op de beurs in Moskou werd opgeschort voor niet-ingezetenen, en veel Europese fondsen hebben hun Russische aandelenexposure afgeschreven tot nul. Toch was het rendement op Russische aandelen vanaf 2000 tot de Russische invasie in februari 2022 positief geweest, in een tijd dat het land veranderde in een totale autocratie onder Poetin. Geannualiseerd was het rendement ruim 12% in lokale termen en bijna 7% in euro termen (zonder valuta-afdekking). Dat was ook hoger dan het rendement van de brede MSCI EM-index over die periode van grofweg 6% (geannualiseerd, “euro unhedged”). Ofwel, de Russische invasie in Oekraïne en de EU-sancties hebben tot een desastreus aandelenrendement geleid, en niet de transitie naar een dictatuur onder Poetin.

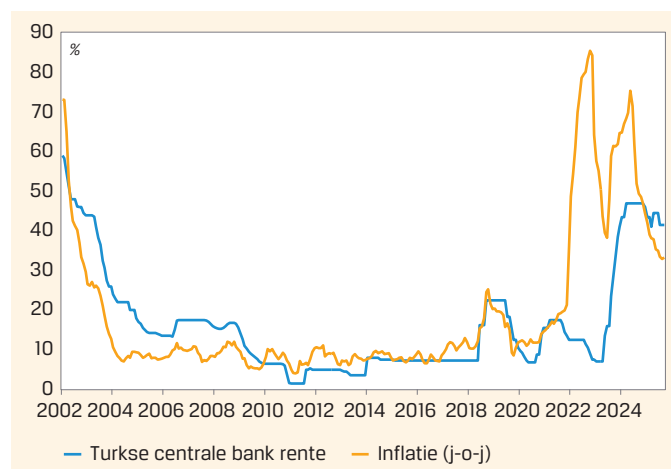
### Turkije (2002-2017)

**Politieke ontwikkelingen:** via vrije verkiezingen komt het AKP in 2002 aan de macht in Turkije, waarna Erdogan in 2003 premier werd en sinds 2014 president. Onder zijn bewind kwam de democratie onder druk (machtsconcentratie, zuiveringen in justitie en leger), en na de mislukte staatsgreep in 2016 volgde een grondwetsreferendum in 2017 dat de presidentiële macht drastisch uitbreidde. Sindsdien is sprake van een autocratie. Freedom House degradeerde Turkije in 2017 van “Partly Free” tot “Not Free”.

**Economisch beleid:** de begrotingstekorten onder Erdogan fluctueerden van –1% tot –4% BBP, maar de staatsschuld (momenteel grofweg 25% BBP) bleef beheersbaar wegens de hoge groei cijfers (gemiddeld circa 5%). De centrale bank opereerde aanvankelijk relatief onafhankelijk, maar sinds 2018 was sprake van inmenging door Erdogan met kunstmatige lage rentes en het ontslag van meerdere centrale bankiers. Dat heeft tot enkele forse inflatieschokken geleid (25% in 2018 en 85% in 2022). Ook de Turkse lira is hierdoor fors gedeprecieerd, ondanks ingrepen in de valutamarkt sinds 2018 via kapitaalrestricties en valutagaranties. Sinds 2023 is sprake van een ommezwaai en heeft de centrale bank de rente verhoogd en wordt minder geïntervenieerd in de valutamarkt.

**Financiële markten:** de Turkse lira is sinds eind 2017 met maar liefst –90% gedeprecieerd versus de euro. De 10-jaars staatsrente is sinds Turkije een autocratie is fors hoger – variërend tussen 10% en 35% – dan in de periode daarvoor. Turkse staatsobligaties hebben sinds eind 2017 tot en met november 2025 een cumulatief rendement opgeleverd van –70% (“euro hedged” basis). De kredietwaardigheid (van S&P) bedraagt BB-. Aandelenkoersen zijn in lokale termen sinds eind 2017 aanzienlijk gestegen wegens inflatie. Aandelen van ondernemingen in Turkije maken onderdeel uit van de MSCI Emerging Markets (EM) Index. Uitgedrukt in euro’s op “unhedged” basis bedraagt het rendement van de MSCI Turkey Index –5% cumulatief.

Figuur 5  
Turkije: inflatie en monetair beleid sinds Erdogan tijdperk



Bron: Columbia Threadneedle Investments, Bloomberg, oktober 2025

Dat valt in absolute termen mee, maar relatief is de index achtergebleven bij de MSCI EM Index welke circa +50% heeft gerendeerd cumulatief (uitgedrukt in euro's zonder valutaafdekking). Gedurende de transitieperiode tot 2017 wisten Turkse aandelen wel gelijke pas te houden met de MSCI EM Index.

**Hongarije (2010-2020)**

**Politieke ontwikkelingen:** Onder Viktor Orbán en zijn Fidesz-partij zijn sinds 2010 institutionele instanties in Hongarije uitgehold. In 2020 gaf een wet Orbán uitgebreide macht om bij decreet te regeren. Freedom House bestempelt Hongarije sinds 2020 niet meer als “Free”, maar als “Partly Free” en de Europese Unie sprak in 2022 officieel uit dat Hongarije niet langer kan worden beschouwd als een volwaardige democratie.

**Economisch beleid:** onder Orbán is sprake van overheids-tekorten (mede door infrastructuur uitgaven), maar dat was ook al het geval voordat hij aantrad. Tot de COVID-pandemie in 2020 was sprake van een dalende staatsschuldquote door een groeiende economie. Daarna is deze gestegen tot 75% (2025) door oplopende tekorten en lage groei. De inflatie steeg tijdens de energiecrisis in Europa tijdelijk tot 25% begin 2023, maar was in de overige jaren niet buitensporig. De centrale bank opereert formeel onafhankelijk, maar wel heeft Orbán openlijk kritiek geuit op het te hoge renteniveau, en ook via benoemingen heeft hij invloed. Ten aanzien van de forint is sprake van een flexibele wisselkoers.

**Financiële markten:** de Hongaarse forint is sinds het aantreden van Orbán in 2010 grofweg –30% in koers gedaald versus de euro (oktober 2025). De 10-jaars Hongaarse staatsrente daalde in de periode 2010-2020 van grofweg 8% tot 2% in lijn met de centrale bankrente, een dalende schuldquote en internationale rentebewegingen. Sinds de inflatieschok en de oplopende tekorten is de rente inmiddels wel gestegen tot 6,76%. De kredietwaardigheid (van S&P) bedraagt BBB-, gelijk aan toen Orbán aantrad.

Aandelen van ondernemingen in Hongarije maken onderdeel uit van de MSCI Emerging Markets Index. Sinds Orbán in april 2010 aan de macht is gekomen, heeft de MSCI Hungary Index in lokale termen 300% cumulatief opgeleverd (9,4% geannualiseerd). Uitgedrukt in euro's zonder afdekking van het valutarisico was het rendement geannualiseerd +6,6%. Dat was hoger dan de brede MSCI EM index (+5,7% geannualiseerd, “euro unhedged”). En ook sinds Hongarije als slechts “Partly Free” wordt beschouwd heeft de MSCI Hungary Index de brede MSCI EM Index verslagen (geannualiseerd 22% versus 11%).

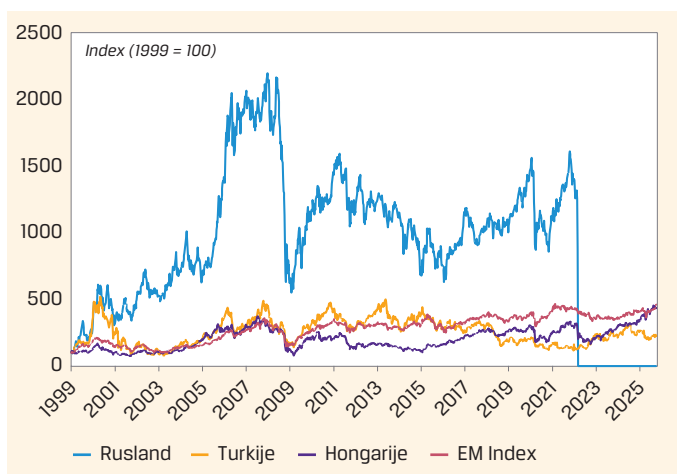
**Venezuela (1999-2017)**

**Politieke ontwikkelingen:** tot 1999 gold Venezuela als een democratie met sterke instituties. Toen Hugo Chavez aan de macht kwam bewoog het land geleidelijk richting een autocratie. Dat versnelde in 2013 toen Nicolas Maduro na zijn dood aan de macht kwam en onder meer protesten met geweld onderdrukte. In 2015 werd de oppositie ondanks een meerderheid buiten spel gezet. Freedom House classificeert Venezuela sinds 2017 als “Not Free”, en de Europese Unie erkent Maduro sinds 2019 niet meer als legitieme president. [En op 3 januari 2026 werd middels een militaire actie van de VS president Maduro overgebracht naar de VS om daar berecht te worden].

**Economisch beleid:** onder Chavez en Maduro was sprake van forse overheidsuitgaven voor sociale programma's. De olie-inkomsten waren niet voldoende om dit te dekken, waardoor ook veel schuld uitgegeven moest worden en eveneens geldcreatie werd ingezet. Het verlies van de onafhankelijkheid van de centrale bank, kunstmatig lage rentes en de explosieve geldgroei zorgden voor hyperinflatie. Er was sprake van valutacontroles, met als gevolg grote verschillen tussen officiële en zwartemarktkoersen, en uiteindelijk meerdere devaluaties van de Venezolaanse bolivar.

**Financiële markten:** de Venezolaanse bolivar is sinds 1999 vrijwel zijn volledige waarde verloren versus de USD en de euro. De yield op Venezolaanse staatsobligaties (bron: JPM) liet aanvankelijk nog een daling zien van circa 14% in 1999 tot 7% in 2007. In 2017 werd echter een niveau bereikt van meer dan 50% en in 2022 tijdelijk zelfs meer dan 600%. Venezuela kwam in november 2017 haar betalingsverplichtingen op buitenlandse schuld niet meer na. S&P geeft sindsdien ook geen kredietwaardigheidsoordeel meer af. Aandelen van ondernemingen in Venezuela maakten tot 2018 onderdeel uit van de MSCI Emerging Markets Index. Daarna werd Venezuela geleidelijk uit de Index gehaald, eerst via een “standalone market” status en daarna volledig. In lokale termen toont de beurs in Caracas enorme koersstijgingen, maar uitgedrukt in harde valuta hebben Venezolaanse aandelen sinds 1999 bijna al hun waarde verloren door hyperinflatie en een implosie van de bolivar. (In de afgelopen twaalf maanden is overigens sprake van een forse rally in lokale termen (+700%) door dollarisering, versoepeling van kapitaalcontroles, en speculatie op politieke verandering.)

Figuur 6  
Koersontwikkeling aandelenindices (euro-basis, unhedged)



Bron: Columbia Threadneedle Investments, Bloomberg, MSCI (EM, Hongarije, Turkije), FTSE (Rusland), oktober 2025

## SAMENVATTING EMPIRISCHE ANALYSE

Het empirische perspectief wat betreft de impact op financiële activa van een transitie van een democratie naar een autocratie laat zich als volgt samenvatten:

**Valuta's:** in alle vier landen was sprake van een aanzienlijke depreciatie van de valuta's, variërend van -30% (Hongarije) tot vrijwel een totaal verlies (Venezuela).

**Staatsobligaties:** deze toonden uiteenlopende resultaten in landen bij transities naar een autocratie, afhankelijk van de begrotingsdiscipline en eventuele internationale sancties en hyperinflatie. Staatsobligaties werden voor euro-beleggers waardeloos in het geval van Venezuela ("default") en Rusland (sancties). Turkse obligaties verloren fors aan waarde door inflatie en een depreciatie. Rentes op Hongaarse obligaties tot slot zijn relatief stabiel gebleven en daalden zelfs in de transitie periode.

**Aandelen:** deze presteerden in enkele gevallen nog positief tijdens de transitie van een democratie naar een autocratie, zoals bijvoorbeeld in Hongarije (absoluut en relatief versus de EM index), of in Rusland (ook absoluut en relatief) tot het moment van de invasie in Oekraïne. Na de invasie werden Russische aandelen afgeschreven tot nul. Turkse aandelen renderden in lijn met de EM Index gedurende de transitie, maar sinds 2017 negatief (absoluut en versus de EM index). Venezolaanse aandelen tot slot verloren bijna al hun waarde voor buitenlandse beleggers door hyperinflatie en een valuta-implosie.

Een transitie van een democratie naar een autocratie vormt op basis van deze analyse het grootste risico voor valutamarkten. Dan volgen staatsobligaties en daarna pas aandelenmarkten. In hoeverre een autocratisering negatief uitpakt voor staatsobligaties en aandelen hangt in belangrijke mate af van in hoeverre de onafhankelijkheid van de centrale bank onder druk komt te staan en in welke mate de begrotingsdiscipline wordt losgelaten.

## NUANCERINGEN

Hoewel het geschetste beeld voor Amerikaanse aandelen negatief is indien de VS verder afglijdt richting een autocratie zijn ook enkele nuances op zijn plaats.

Zo zijn de Verenigde Staten economisch, financieel, technologisch en militair dermate belangrijk, dat sancties door de EU niet zeer waarschijnlijk zijn mocht de situatie verder verslechteren.

Ook zullen de gevolgen voor de VS bij een verdere autocratisering anders zijn dan voor kleine landen, wegens de sleutelrol die de Amerikaanse dollar en Amerikaanse staatsobligaties spelen in internationale reserves, in het wereldwijde financiële systeem, en in de internationale handel. En wegens de verwevenheid van internationale financiële markten en economieën, zal een eventueel verder afglijden naar een autocratie niet alleen Amerikaanse activa schaden, maar wereldwijd negatieve gevolgen kunnen hebben. Ofwel, met het verkopen van Amerikaanse aandelen zijn Europese beleggers niet immuun voor een eventuele verdere uitholling van de democratie in de VS. Tot slot is het vermeldenswaardig dat China zeer laag scoort als democratie, en door zowel Freedom House, de Economist Intelligence Unit als door V-Dem wordt aangemerkt als een volledige autocratie. Desondanks is er geen sprake van bijvoorbeeld sancties door de EU. Ook vormt het geen belemmering voor de opname van Chinese beleggingsinstrumenten in marktgewogen aandelen en obligatie-indices van gerenommeerde index leveranciers zoals MSCI, FTSE en J.P. Morgan. Voorts zijn de meeste Europese institutionele investeerders belegd in Chinese aandelen en Chinese staatsobligaties.

### Noten

- 1 <https://freedomhouse.org/about-us>.
- 2 [https://v-dem.net/documents/61/v-dem-dr\\_2025\\_lowres\\_v2.pdf](https://v-dem.net/documents/61/v-dem-dr_2025_lowres_v2.pdf).
- 3 <https://protectdemocracy.org/threat-index/>.

# Reconceptualising Legal Certainty for Cross-Border Investors in the European Private Law Framework

## A PROPOSAL FOR A TRANSNATIONAL PRINCIPLE OF LEGITIMATE INVESTMENT EXPECTATIONS

*Alberto Jaci*

### THE RULE OF LAW AND INVESTOR CONFIDENCE UNDER STRAIN

The progressive erosion of the rule of law within certain European Union Member States and other Western jurisdictions poses a systemic risk not only to public governance, but also to the legal certainty upon which private investment fundamentally relies (Mahmutovic, 2021). For cross-border investors, legal predictability is not an abstract ideal; rather, it constitutes a precondition for the rational allocation of capital, the formation of contractual commitments, and the realisation of expected returns. Where regulatory frameworks shift abruptly, judicial approaches become inconsistent, or public authorities interfere unpredictably in financial markets, investors may no longer rely on the stability of the legal environment in which their economic decisions are embedded.

Against this backdrop, the present article pursues a twofold objective. First, it advances the case for the development of a transnational principle of “legitimate investment expectations”<sup>1</sup> as a unifying standard within European private law. Secondly, it seeks to demonstrate how such a principle may operate to reinforce the accountability of Member States in implementing European law and in honouring commitments made towards private economic actors. The analytical approach in this paper combines a doctrinal examination of general principles of EU law – particularly legal certainty and legitimate expectations – with a comparative assessment of civil-law and common-law traditions relating to good faith, fair dealing, and the prohibition of abuse of rights.

In doing so, the paper argues that European private law<sup>2</sup> may serve as a normative bridge between contractual autonomy and public authority, thereby contributing to the restoration of market confidence and the mitigation of systemic risks associated with legal uncertainty (Möllers, 2018). Strengthening the protection of legitimate reliance does not aim to immobilise public policy, but to promote a framework of responsible predictability in which both public interests and fiduciary duties can be effectively safeguarded.

The current article has two main objectives within a specific framework involving the European Union. On the one hand,

the author attempts to justify the need for establishing a transnational doctrine of “legitimate investment expectations” as a consolidating concept in European private law and the internal market of the European Union. On the other hand, the author attempts to explain the possible way in which such a doctrine would strengthen the responsibility of the Member States while applying European Union law and while creating governing frameworks that directly impact cross-border investment. Even though the focus remains within the European legal framework, in consideration of the EU’s high level of market integration, common rule-of-law principles, and the high level of cross-border capital flow in the EU, the questions raised in this article are of a global nature. This is a particular feature of the European

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Union, which enables one to assess the interaction of legal certainty and regulatory changes, as well as the confidence of investors in the most developed financial markets.

## LEGAL CERTAINTY AS A CORNERSTONE OF EUROPEAN PRIVATE LAW

Legal certainty is a basic principle of European law and a key requirement for sound economic decision-making (Shcherbanyuk, Gordiciev, Bzova 2023). For cross-border investors, it guarantees that contracts and regulations stay predictable enough for long-term capital investment. When predictability worsens, investment choices become unclear, risk premiums increase, and market efficiency drops.

Judicial system of the European Union recognises legal certainty and the protection of legitimate expectations as general principles common to the legal systems of the Member States (Lenaerts, 2007). Yet their development has occurred mainly within administrative and public law, leaving private law protections fragmented. References to legal certainty appear implicitly in concepts of good faith and fair dealing within instruments such as the DCFR and PECL<sup>3</sup> (Castronovo, 2009), but without a dedicated framework applicable to investment relationships.

Legal certainty operates along two dimensions as a static dimension, requiring that legal rules be accessible, clear, and non-retroactive and a dynamic dimension, ensuring consistency in judicial and regulatory practice over time. It is this dynamic dimension that is particularly relevant for investors who rely on the assumption that authorities will not arbitrarily alter essential regulatory or contractual conditions. Sudden legislative changes, inconsistent supervisory enforcement, or shifting judicial interpretation translate legal uncertainty into tangible economic risk.

To provide effective protection, European private law requires a principle capable of linking private autonomy with public authority (Dagan, 2016). Such a principle would reassure investors that the internal market remains a reliable legal space for the establishment and performance of cross-border economic relations.

## FRAGMENTATION OF EXISTING PROTECTIONS

Current investor protection against regulatory unpredictability<sup>4</sup> in Europe is fragmented across different legal regimes per country, which significantly reduces its effectiveness and creates additional uncertainty for cross-border capital allocation (Wallinga, 2020). These assurances primarily refer to the protection afforded by EU administrative law principles, particularly the doctrines of legal certainty and legitimate expectations as developed in the case law of the Court of Justice of the European Union. Although the concept is usually applied when national authorities or EU institutions deviate from accepted regulations or administrative practices, it provides investors with little assistance in contract negotiations and business disputes. This is because these principles are primarily enforced ex post through judicial or administrative review and are directed at public authorities

rather than private counterparties. As a result, they offer limited guidance during contract negotiations, where investors seek ex ante certainty regarding how regulatory risks will be allocated and managed between the parties. It does not function as a reliable tool for managing legal and regulatory risk in private investment relationships.<sup>5</sup>

A second layer of protection arises from international investment treaties containing fair and equitable treatment clauses (Tudor, 2008), which arbitral tribunals frequently interpret as encompassing an investor's entitlement to a predictable regulatory environment. However, these mechanisms remain largely external to the EU legal order<sup>6</sup> and are practically accessible only to sizeable institutional investors, given the cost and duration of arbitration proceedings.

This disjointed image is further complicated by domestic private law, which is based on broad ideas like fair dealing, good faith, and the prohibition of rights abuse. Though their breadth and depth differ greatly throughout Member States and legal traditions, these theories all share the functional purpose of safeguarding reasonable reliance. As a result, different protection rules are applied to cross-border investors, which raises the expenses of legal advice, due diligence requirements, and the general complexity of investment structuring.

## TOWARDS A TRANSNATIONAL PRINCIPLE OF LEGITIMATE INVESTMENT EXPECTATIONS

To finance professionals, the principle of legitimate investment expectations (Hepburn, 2025) may be understood more in practical terms rather than in doctrinal terms. It aims at protecting the assumptions that constrained rational investors will be able to make. After all, the longer the time frame of the investment, the more of an emotional impact the decision is likely to have to rationalize. There is always an expectation embedded in every investment decision to be made regarding the regulatory, legal, and contractual frameworks that will be in place at the time the investment is made. While the frameworks might not be immutable, the expectations serve as a working premise to survey the investment, assess its risk, evaluate the potential future cash flows, and assign value to the investment through the allocation of capital. From this point of view, legitimate investment expectations serve as the legal equivalent of regulatory risk. The principle does not promise to maintain the same regulatory environment, but rather is intended to provide a discipline surrounding the process of change. It ensures that public regulators or legal frameworks change the conditions of an investment in ways that are expected, balanced, and provide additional legal frameworks to address the reliance concerns that are determined to be substantial. It is not the fact that the conditions have changed that is a problem; rather, it is the fact that the conditions have changed in a way that is abrupt, inconsistent, and that compromises the rationale of the investment decision that is made. The absence of legitimate expectations results in increased risk premia, short investment horizons, and disinvestment from long-term projects. On the other hand, a legal setup that values reasonable reliance minimizes uncertainty,

decreases capital costs, and improves confidence in the markets while not jeopardizing legitimate public policy goals.

Given how disjointed the current protections are, a more cohesive norm that can shield investors against erratic changes in the legal and regulatory landscape is required. In order to fulfill this purpose, the proposed principle of legitimate investment expectations combines fundamental components found in all European legal traditions, namely proportionality, good faith, and legal certainty (Henckels, 2023). These elements do not operate within a strict hierarchy. Legal certainty provides the structural baseline of predictability; good faith governs the conduct of parties and authorities; proportionality serves as the balancing mechanism when legitimate expectations conflict with public policy objectives. Together, they function as complementary components of a single reliance-based standard.

Although the language and doctrinal expression of these ideas vary between the common-law and civil-law systems, both share the normative necessity that contractual counterparts and public agencies behave in a way that is compatible with the reasonable reliance they establish. For example, civil-law systems tend to articulate reliance protection through doctrines of good faith and the prohibition of abuse of rights, while common-law systems rely on concepts such as promissory estoppel, legitimate expectation in public law, and judicial review of arbitrary administrative action. Despite doctrinal differences, both traditions converge in protecting reasonable reliance against unpredictable change.

Fundamentally, the principle acknowledges that investors base their long-term choices on a legal and contractual framework that shouldn't be changed in a way that is capricious, out of proportion, or inconsistent with prior agreements. The notion does not exclude public authorities from modifying regulations in response to evolving situations or justifiable policy objectives, in contrast to a strict assurance of regulatory stability. Instead, it establishes a discipline of responsible predictability, which mandates that each significant deviation from the norm must be sufficiently justified, supported by suitable transitional measures, and evaluated in the context of the reliance interests at stake. What matters is not uniformity, but whether the measures adequately reflect the scale of reliance and the severity of the regulatory change.

Comparative legal developments support the emergence of such a transnational standard. Civil-law jurisdictions increasingly interpret good faith and abuse of rights in a way that constrains sudden regulatory reversals capable of undermining justified reliance (MacMahon, 2015) while common-law systems rely on doctrines such as promissory estoppel and the protection against arbitrary use of public power to achieve similar outcomes (Henderson, 1969). These converging trends indicate the existence of a shared normative substrate that can accommodate a principle of legitimate investment expectations without disrupting the balance between national sovereignty and market integration.

Formulated in this way, the principle would not replace existing legal instruments but operate as a connective framework across them, strengthening the internal market's credibility for private investors. The principle would operate as an interpretative and coordinating standard rather than as a competing norm. In cases of overlap, it would guide courts and regulators in reconciling existing instruments by emphasising reliance, proportionality, and foreseeability, rather than displacing applicable rules. It also could help legislators and regulators create policies that minimize needless disruptions to market expectations. In such cases, the principle does not prohibit regulatory change but requires that legitimate policy objectives be pursued in a manner that reasonably accommodates reliance interests, for example through advance notice, transitional arrangements, or compensation where appropriate. Lastly, it could give economic actors a more precise standard by which to measure political and legal risk. The principle would contribute to risk assessment by offering clearer qualitative benchmarks – such as foreseeability of change, consistency of enforcement, and availability of transitional safeguards – that investors can incorporate into legal due diligence, scenario analysis, and regulatory risk pricing. By doing this, it would promote more effective capital allocation, lessen uncertainty, and strengthen confidence in the European legal system as a reliable foundation for long-term investment.

## IMPLEMENTATION PATHWAYS AND PRACTICAL IMPLICATIONS

The effectiveness of a transnational principle of legitimate investment expectations depends not only on the creation of a new legislative framework, also on its gradual integration into existing legal and regulatory practices. Gradual integration would primarily occur through judicial interpretation and regulatory practice rather than formal codification. Courts may increasingly rely on the principle when assessing disputes arising from regulatory change, while supervisory authorities may reflect it in guidelines, impact assessments, and consultation procedures. Over time, these practices can consolidate into a consistent standard shaping both adjudication and policy design.

The governance frameworks that institutional investors, asset managers, and pension funds use to organize their decision-making provide a second option for implementation. Since transparent rulemaking and regulatory stability are essential to sustainable investment strategies, the idea could be included in internal policies and stewardship codes to encourage public officials and corporate actors to recognize the reliance interests created by long-term, strategic investment commitments.

The causal link operates indirectly. When institutional investors incorporate reliance protection and regulatory predictability into internal policies and stewardship frameworks, these expectations are reflected in engagement with regulators, public consultations, and policy dialogue. Over time, this feedback loop incentivises public authorities to internalise reliance considerations, particularly in sectors dependent on long-term capital commitments.

This would not impose new binding obligations but would strengthen the alignment between responsible investment practices and legal expectations concerning fair and foreseeable regulatory conduct.

Contractual practice offers an additional channel through which the principle may take root. Deals like long-term supply contracts and public-private partnerships already have ways to handle changes in laws and rules (Bloomfield, 2006). If we better protect the parties who rely on these deals, it will foster collaboration when regulations change. This could include adjusting the contract, gradual implementation may take concrete forms such as delayed entry into force of new rules, phased compliance obligations, grandfathering of existing investments, or predefined adjustment periods allowing investors to recalibrate contractual and financial structures, or providing reimbursement where needed. This approach lets governments regulate for the good of the public while also keeping the market steady. When combined, these small changes would help the European internal market build a culture of regulatory dependability. Clearer criteria for evaluating political and legal risk would be advantageous to investors, and public officials would continue to have the freedom to pursue policy goals without jeopardizing the confidence that underpins private capital formation. Therefore, the idea of reasonable investment expectations may eventually serve as a uniting factor that connects public regulatory ability and private autonomy, strengthening the robustness and legitimacy of European financial markets.

## COUNTERARGUMENTS AND LIMITATIONS

There are a number of issues raised by the acceptance of a transnational principle of reasonable investment expectations that should be carefully considered. The potential of unnecessarily restricting governments' regulatory liberty is the first point of contention. Such a theory, if applied too far, might cause courts to examine political choices that support justifiable public goals like national defense, public health protection, or energy transition. Although it is impossible to ignore, this worry does not negate the idea. A proportionality-anchored reliance-based approach means that regulatory measures affecting investments should be assessed by weighing the public interest pursued against the extent to which investors reasonably relied on the previous legal framework. The greater the reliance and the longer the investment horizon, the stronger the justification and mitigation required (Reilly, Souder, Ranucci, 2016).

A second constraint pertains to the legitimacy of democracy. In light of changing social and economic priorities, public authorities must continue to have the authority to modify laws and regulations (Schauer, 2008). The proposed principle does not challenge this premise. Instead, it points out that regulatory changes shouldn't be sudden reversals that forget about the incentives and commitments needed for long-term investment. Rather than weakening public action, this approach makes it stronger by encouraging open communication, fair transition periods, and clear policymaking.

A further objection addresses the absence of an explicit legal basis in EU primary or secondary law (European legislation is divided into primary law (founding treaties such as the TEU and TFEU, Charter of Fundamental Rights), which defines objectives and competences, and secondary law, which includes regulations, directives and decisions adopted by the institutions). Some may view the principle as an unwarranted expansion of judicial authority. However, prior to their official codification, generic principles were historically incorporated into European law through judicial elaboration and comparative reasoning. Drawing on well-established standards of good faith, legal clarity, and the preservation of reasonable expectations, the suggested concept takes a similar course.

Lastly, thorough calibration will be necessary for actual implementation. Investors vary in their level of understanding, risk tolerance, and capacity for due diligence, and reliance is context specific (Nguyen, Gallery, Newton, 2016).

The principle would operate in a differentiated manner, considering the characteristics of the investor and the investment. Factors such as the investor's sophistication, access to information, and capacity for due diligence would influence the assessment of what constitutes reasonable reliance, preventing the principle from shielding speculative or inadequately assessed risks.

The idea should not be used as an excuse for speculative investing or poor risk assessment. The development of shared interpretive guidance is essential to prevent inconsistent application. Judicial reasoning plays a central role in this process. At the same time, structured dialogue between regulators and market participants can help ensure that the principle supports, rather than distorts, investment decision-making.

So, all things considered, these limits tell us that we should bring in the idea of fair investment expectations bit by bit and be careful how we understand it. If we get the balance right, it can make regulations seem more trustworthy without getting in the way of fair choices about what's good for the public; it can also help rebuild the trust that financial markets need to work well in the end.

## REGULATORY PREDICTABILITY AND INVESTOR RELIANCE IN A GLOBAL CONTEXT

Although the analysis is grounded in the European Union context, the underlying concerns addressed by the principle of legitimate investment expectations are not uniquely European. Advanced economies such as the United Kingdom (James, Quaglia, 2020) and the United States (De Pascalis, 2016) also grapple with the tension between regulatory flexibility and investor reliance, albeit through different legal mechanisms. In common-law jurisdictions, reliance protection is typically mediated through doctrines such as legitimate expectation in public law, promissory estoppel, judicial review of administrative action, and constitutional safeguards against arbitrariness rather than through an integrated private-law framework.

In contrast, jurisdictions such as China present a more complex picture. While long-term investment is often encouraged through policy commitments and industrial planning, the absence of comparable judicial review mechanisms and the central role of administrative discretion make reliance protection more dependent on political credibility than on legal enforceability (Zheng, 2011). This highlights that the practical effectiveness of the principle depends not only on doctrinal formulation, but also on institutional context and the rule-of-law environment.

From a global perspective, the proposed principle should therefore be understood as a functional benchmark rather than a transplantable legal rule. Its core contribution lies in articulating a common analytical lens through which regulatory change can be assessed in terms of foreseeability, proportionality, and reliance, regardless of jurisdiction. In this sense, the European experience offers a reference model rather than a universal template.

### REBALANCING PUBLIC POWER AND PRIVATE RELIANCE

The decline of the rule of law in some parts of Europe and other developed economies is not just a legal issue; it poses a real risk to market stability and the effective use of capital (Koyama, Johnson, 2015). Investment relies on the belief that legal and regulatory frameworks will change in a clear and predictable way. When that belief fails, the cost of capital increases, financial planning becomes less certain, and long-term projects vital for economic and social growth might not get enough funding. Thus, improving the connection between legal certainty and private trust is not just an academic concern, but an important goal for the strength of European financial markets (Mülbert, Sajnovits, 2017).

This article has argued that a transnational principle of legitimate investment expectations could contribute to restoring such confidence. By offering a conceptual link between EU administrative principles, international investment protections and domestic private-law doctrines of good faith and fair dealing, the proposal responds to the fragmentation that currently characterises the legal environment for cross-border investment. The rule isn't about shielding investors from every change in regulations or stopping democratic choices. Instead, it encourages a system where the government can chase goals but still understand how long-term money decisions rely on some consistent expectations.

The implementation of this principle does not require a new legislative architecture. The scope of the principle does not extend to all forms of regulatory or legislative change. General and non-discriminatory measures, such as ordinary tax reforms, typically fall outside its protection. However, the principle may become relevant where regulatory changes – including tax measures – specifically target established investment frameworks or withdraw incentives on which investors have reasonably relied, particularly where such regimes were designed to induce long-term commitments.

Using legal thinking, how contracts are usually done, and green investing can help add it to how Europe governs its laws and markets, little by little. Sustainable and green investments are particularly dependent on stable and credible regulatory frameworks, given their long-term horizons and reliance on public policy commitments (Falcone, 2020). As a result, the integration of reliance-based standards aligns naturally with sustainable finance practices, reinforcing the credibility of regulatory signals essential for climate-related capital allocation. Even if this article centers on the European Union, the significance of legitimate investment expectations goes far beyond the EU legal order. Today's global financial markets demonstrate increased regulatory activism, geopolitical fragmentation, and swift policy changes, especially in areas such as energy transition, digital regulation, financial supervision, and industrial policy. Thus, cross-border investments today pose the greatest challenges for evaluating legal and regulatory risk, especially through traditional country-risk indicators. The European Union exemplifies a more widespread advanced economy challenge: how to balance regulatory flexibility and the permanent expectations that are necessary for long-term investment. Similar challenges present themselves in common-law jurisdictions, emerging markets, and global financial hubs where policy changes or uneven enforcement undermines investor confidence, even if the legal structure in place is sophisticated.

The legitimate investment expectations doctrine in the EU is not a uniquely European doctrine; rather, it is part of a broader trend of emerging 'responsible governance' in the regulation of global finance. The phenomenon of cross-border investment in regulation-dependent fields like infrastructure, climate finance, and digital networks demonstrates that keeping within the bounds of legal reason is more of a systemic concern than a purely legal one. In this sense, the EU framework provides a reference model that may inform broader discussions on regulatory credibility and market trust in global finance.

Rebalancing public power and private reliance is essential to ensure that the rule of law remains a living guarantee for investors and a cornerstone of the internal market. A legal environment that respects legitimate investment expectations is not static; it is one in which change occurs in a manner that is transparent, proportionate and compatible with the trust on which private economic activity ultimately depends. These requirements can be assessed through qualitative benchmarks, including the foreseeability of regulatory change, the consistency of enforcement, the availability of transitional safeguards, and the coherence between policy objectives and implementation. Such benchmarks already inform regulatory impact assessments and can be further refined through judicial practice.

This paper has made use of generative AI tools (e.g., ChatGPT) for language editing only. The authors take full responsibility for the content.

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## Notes

- 1 For non-legal readers, the proposed transnational principle of legitimate investment expectations may be understood as a cross-cutting standard aimed at protecting the assumptions on which investors reasonably rely when committing capital across borders. Rather than constituting a new legal rule or guarantee of regulatory stability, the principle functions as a benchmark for assessing whether changes in the legal or regulatory environment occur in a manner that is foreseeable, proportionate, and consistent with prior commitments. In this sense, it translates the abstract notion of legal certainty into an operational framework relevant for investment decision-making. Section 4 elaborates on this concept in terms familiar to finance professionals.
- 2 For the purposes of this article, "European private law" does not refer to a fully autonomous and codified body of law comparable to national civil codes. Rather, it denotes a composite legal framework consisting of EU regulations and directives, general principles of EU law, and harmonisation instruments that increasingly shape private-law relationships within and across Member States. These elements operate through national legal systems, influencing contract law, remedies, and standards of conduct, particularly in cross-border economic relationships within the internal market.
- 3 The Draft Common Frame of Reference (DCFR) and the Principles of European Contract Law (PECL) are non-binding harmonisation instruments developed to systematise common principles of contract law across Europe. While they do not have direct legal force, they play an important practical role: they inform legislative reforms, guide judicial interpretation, and provide reference standards in cross-border contracting. In particular, their emphasis on good faith, fair dealing, and protection of reliance reflects an emerging European consensus on the behavioural standards expected in private economic relations.
- 4 In investment practice, regulatory unpredictability manifests itself through sudden legislative amendments, retroactive tax measures, abrupt withdrawal of subsidies or incentives, inconsistent supervisory enforcement, or shifts in judicial interpretation affecting existing contracts. These developments directly affect the risk assessment underlying long-term investment decisions and undermine the reliability of regulatory assumptions embedded in financial models.
- 5 In this context, "private investment relationships" refers to contractual and pre-contractual arrangements between private actors – such as shareholders, lenders, project sponsors, and counterparties in long-term commercial agreements – that structure the allocation of capital and risk independently of direct state involvement.
- 6 The term "EU legal order" is used here to denote the integrated system of EU primary law, secondary legislation, and general principles of law, as interpreted and enforced by the Court of Justice of the European Union and implemented through national legal systems.

# The Rule of Law in Emerging Markets Debt: A Portfolio Manager's Perspective

By *Tjitsger Hulshoff RBA*

The rule of law has become cornerstone for investors in a global landscape marked by geopolitical tensions, shifting alliances, and debates over international norms. Questions on the rule of law aren't abstract; they're about real-world implications for portfolio construction and client allocations.

In a dialogue with Giulia Pellegrini, we explore why the rule of law has become a driver of alpha in Emerging Market Debt, and why not the current status of a country, but the “trajectory of travel” has become the most critical metric for the modern institutional investor.

The start of 2026 has been marked by a chilling sense of institutional vertigo. From London to Washington, the concept of a stable and predictable international order feels increasingly like a relic of a previous century. We meet with Giulia Pellegrini at a moment when the markets are still digesting the implications of the U.S. administration's unilateral actions in Venezuela. For Pellegrini, an Italian who has made London her home for twenty-five years, these are the raw data of her daily life as a lead portfolio manager in Emerging Market Debt (EMD). Her perspective is shaped by a career that began not in the sterile environments of investment banks, but in the trenches of development economics. From working at the Nigerian Debt Management Office during the transformative Paris Club debt relief era (an informal group of official creditor nations that coordinates to provide debt relief (rescheduling, reduction, or conversion) for developing countries facing payment difficulties, aiming for sustainable debt solution) to stints at the World Bank and eventually the buy-side giants of BlackRock and Allianz GI, she views the global financial map through the lens of institutional evolution. “I thought after doing research and strategy work on African markets, it would be interesting to put those ideas into a portfolio and see how that works out.” Her funds, many classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR), incorporate tailored ESG criteria, reflecting client demands for not just financial returns but ethical alignment.

Pellegrini confronts the rule of law's evolving role head-on. “As the rule of law goes, there's certainly more questions than answers at the moment.” The U.S. actions, which involved military posturing and economic pressures, echoed historical precedents like the 1990 Panama invasion under President George H.W. Bush, where U.S. forces ousted Manuel Noriega amid drug trafficking allegations.

Such interventions highlight a pattern of unilateralism that challenges international law, and multilateral frameworks like

the U.N. Charter. For Pellegrini, these events raise questions about international norms: How do they alter perceptions of geopolitical risk? And crucially, for EM investors, how do they reshape capital flows and asset valuations? “On one hand, you've seen the events in Venezuela where the U.S. administration seemingly took action that might be outside the purview of the U.N. Charter and the U.S. Congress,” Yet, this institutional uncertainty has inadvertently created tailwinds for EM debt.



**Giulia Pellegrini** is a Lead Portfolio Manager for Emerging Markets Debt at AllianzGI, where she focuses on EM sovereign debt strategies and sustainable investing. She is also on the board of the Emerging Markets Investors Alliance.

Prior to joining AllianzGI in 2020, she was Head of Sustainable EM Debt Investing at BlackRock since 2015. Ms Pellegrini was previously Chief Economist for Sub-Saharan Africa in J.P. Morgan's Emerging Market Research team in London and in Johannesburg and an Economist at the World Bank in the Africa Finance and Private Sector Development Department in Washington D.C. She started her career as an Economist at the Debt Management Office of the Federal Republic of Nigeria in Abuja.

Giulia holds master degrees in Development Economics and in Econometrics from the University of Oxford, St Antony's College and from Birkbeck College as well as a BSc in Economics from the School of Oriental and African Studies – University of London.

In a world of heightened geopolitical fragmentation, marked by trade wars, tariff escalations, and alliance realignments, investors are seeking diversification beyond U.S.-centric assets, which dominate 80-90% of global publicly traded equities and bonds. “What we have seen in the last year is more appetite for diversification, and that has certainly benefited EM debt,” Pellegrini explains. The asset class, sidelined post-2022 Ukraine invasion due to sanction fears and defaults, suffered over \$120 billion in outflows through early 2025. But as EM nations demonstrated resilience – taming inflation faster than developed peers and embarking on fiscal consolidation – inflows rebounded. Since April 2025, \$25 to \$30 billion has flowed back, a reversal from a low base but indicative of shifting sentiment. This influx aligns with broader risk signals: gold prices, a barometer of uncertainty, have surged, extending to silver and industrial metals as investors hedge against eroding rule of law perceptions.

Pellegrini’s optimism is tempered by risks. “As political fragmentation continues, and we think it will, the question is, does this ever at some point impact negatively risk appetite in the markets?” she posits. If global events tip into full risk-off mode, EM, historically viewed as “riskier”, could suffer outflows. However, the asset class’s maturation mitigates this: improved policy credibility and economic fundamentals have decoupled EM from blanket sell-offs. “Emerging markets have done a lot of work in terms of improving economic fundamentals, improving policy credibility,” she emphasizes, citing proactive central banking that peaked inflation early and set fiscal trajectories straight in countries from Mexico to Pakistan.

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### THE RULE OF LAW IS WOVEN INTO EVERY DECISION IN THE INVESTMENT PROCESS

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Central to her approach is an investment process where rule of law and ESG are woven into every decision, driving alpha by anticipating credit events. This integration predates regulatory mandates like SFDR Articles 6-9, born from a conviction that governance insights enhance returns. “Our investment process integrates ESG considerations along the value chain,” Pellegrini says. “We’ve been doing this for years before regulations kicked off.” The framework evaluates countries and corporates across environmental, social, and governance pillars, with governance, including rule of law, as the cornerstone. Indicators span property rights (measuring legal protections for assets), corruption perceptions (via indices like Transparency International’s CPI), state fragility (assessing conflict risks and institutional resilience), and press freedom (gauging information transparency and accountability).

For Pellegrini, rule of law is pragmatic: “When we look at rule of law, we think of it as: does this make a country more or less capable and more or less willing to pay us back?” According to Pellegrini, capability ties to economic strength, fiscal buffers,

reserve levels and strong institutions that enable efficient tax collection and policy execution. Willingness reflects political commitment, which may be eroded by corruption or judicial capture.

ESG integration has proven its worth: “Introducing ESG considerations as part of the investment process has helped us, for example, avoid some of the defaults,” she notes, citing zero exposure to Russia, Belarus, Ghana, and Sri Lanka. By flagging governance deteriorations early, the team reallocates to improvers, capturing spread compression as markets reward progress: not as virtue signalling, but as fiduciary duty. “We include all of these considerations because they help us do our work of being fiduciary to our clients,” Pellegrini stresses, emphasizing alpha delivery over moralizing.

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### WE SEE MORE APPETITE FOR DIVERSIFICATION

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While governance dominates in EM, all pillars matter. “We look at all three pillars with equal importance,” she clarifies. Social factors, like labour rights, can trigger litigation impacting corporate bonds; environmental risks, such as disaster vulnerability, strain sovereign finances. A solid governance base amplifies these: transparent institutions better manage social unrest or climate events, reducing default probabilities. For specialized mandates, managing green-social-sustainable (GSS) bonds for banks or CO<sub>2</sub>-tracking portfolios, ESG is explicit. “It is investment analysis, not just looking at CO<sub>2</sub> reductions or whether they filed the right reporting.”

The “trajectory of travel” thesis leverages this ESG lens for alpha. “What matters for us in the end is not so much where the country starts off, but the trajectory of travel of that country,” Pellegrini explains. This allows contrarian bets on reformers, as improving rule-of-law metrics signal upside.

The case of Brazil is an interesting one. “Inflation spiked after Covid, but the central bank acted very proactively, building a 10-percentage-point real rates cushion. Unheard of in most markets,” she details. ESG indicators played a pivotal role: rising scores in judicial independence (via World Justice Project metrics) and anti-corruption efforts (post-Lava Jato reforms) enhanced perceptions of willingness. This credibility drew inflows to the real and local bonds, generating alpha as policy rates are expected to fall in 2026 to support growth.

Argentina’s reform path is a deeper dive into trajectory-driven alpha. Historically the country has been default-prone which happened nine times since its independence. The country hit rock bottom in the early 2020s with hyperinflation and depleted reserves. Since 2023, the administration has slashed spending, tamed prices from 200%+ to single digits, and adopted a flexible

exchange rate to rebuild buffers. “Argentina has been doing reforms that have undoubtedly made an impact on the population. But for the last two years, the government has been working towards fiscal consolidation, reducing inflation, starting now to accumulate reserves,” Pellegrini recounts. Rule of law improvements bolstered ESG scores, signalling repayment commitment. Despite social costs (poverty spikes, protests), this trajectory compressed spreads from 2000+ basis points to under 1000, delivering double-digit returns for holders. Investors profited, as markets priced in the shift from populism to orthodoxy.

Nigeria’s story resonates personally for Pellegrini. From her Debt Management Office days, she knew its institutional pitfalls: oil dependence, corruption, and outflows of talent. “Nigeria, where you have a government that since June 2023 has taken over, has done more reforms in two years than the previous 10 combined,” she says. Key moves undertaken by the Nigerian government have been exchange rate liberalization (ending multiple windows that bred arbitrage), reserve accumulation to \$30 billion+, and Nigerian National Petroleum Corporation (NNPC) transparency (board overhaul, audits exposing past mismanagement). ESG metrics captured this as state fragility indices improved (via Fund for Peace rankings), corruption perceptions rose modestly, and press freedom gains reflected accountability.

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## ESG ANALYSIS IN EMD IS MORE ABOUT ALPHA DELIVERY THAN VIRTUE SIGNALLING

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Pakistan is another affirmative case. “A fragile state with nuclear tensions, political instability (a jailed former PM), and IMF bailouts, it nonetheless consolidated fiscally and works with the IMF on reforms,” Pellegrini notes. Governance strides, such as better property rights via land digitization and anti-corruption drives, elevated ESG profiles, enhancing willingness. From a low base, this progress spurred spread compression, with bonds rallying 15-20% in 2025. An uplift in the rule of law converts to tangible alpha.

Conversely, deteriorations demand avoidance. Bolivia exemplifies backsliding. “Bolivia has a maturity coming up in a couple of months, a new government since November and low import coverage of its external reserves,” she warns.

Senegal’s case is similarly cautionary. Prolonged IMF talks, lasting over a year, signal policy inertia. “Senegal has been discussing with the IMF for a support programme. Now they’ve been doing so for a fairly good time, I would say over a year,” Pellegrini says. Rule of law metrics deteriorated: press freedom slipped amid crackdowns, corruption indices stagnated, and fragility rose with electoral disputes. This trajectory forecasts default risks and prompted Pellegrini to withhold investment.

In Asia, Indonesia’s governance lapses illustrate opportunity costs. Protests and a finance minister replacement disrupted stability. “Indonesia, we must say we got concerned with the protests that we saw last year and the change in finance minister that for years had worked as a sort of anchor to the Indonesian investment thesis,” she explains. The prior minister’s World Bank credentials bolstered international trust; the successor’s views and scandals such as corruption in state firms like Pertamina, impacted ESG credential.

China’s stasis is a deeper institutional quagmire. Stabilization signals in December 2025 data clashed with leadership’s tech focus over stimulus. “In China, we see some signs of stabilisation from the data we had in December. However, it is fair to say that the leadership still seems most concerned with getting the country to sort of dominate from a technological standpoint,” Pellegrini observes. Rule of law issues such as arbitrary property seizures, state fragility in Hong Kong tensions cap ESG scores. Deflation risks persisted, with bonds underperforming 5-10%, validating an underweight.

India’s 2025 downturn underscores ESG’s predictive power. Index inclusion in 2024 drove inflows, but policy opacity followed. “The previous governor was very clear on their exchange rate policy. The current governor has been a bit more, let’s say, reserved about giving out clear signals,” she details. U.S. tariffs and Pakistan flare-ups compounded. Governance metrics – fluctuating press freedom, corruption amid elections – signalled reversal. The team acted accordingly, locking 8-12% gains before 10% losses.

The Russia-Belarus divestment in 2021 is ESG’s crowning achievement. Macro appeal (reserves exceeding debt, a technocratic central bank) masked severely weakening institutions. “Our analysis was mostly on the ESG and political side,” Pellegrini recalls. The rule of law plunged due to judicial capture, press suppression, and fragility from authoritarianism. Divestment dodged sanctions, while peers lost 50-100%. “We judged that Russian institutions had been captured more and more over the years and that rule of law had been declining,” she says, turning avoidance into alpha.

Currency dynamics amplify ESG plays. Dollar depreciation in 2025 fuelled EMFX gains. “It does help to have a weaker dollar,” Pellegrini affirms. Structural shifts such as gold diversification favor EM long-term. Valuations are secondary; technicals like index flows matter, but trajectory dominates.

Active trumps passive in EM’s complexity. “EM is probably one of the asset classes where it’s hardest to do passive,” she argues, given 80 countries and fragmentation.

Pellegrini concludes bullishly: EM’s fundamentals, 3.5% deficits, 60% debt-to-GDP, outshine DM. “I have a much more mature EM asset class that offers me 80-odd countries to choose from,” she says.

Rule of law via ESG unlocks alpha in chaos.

# De 250<sup>ste</sup> verjaardag van De welvaart van landen

Dit jaar viert het *De welvaart van landen* zijn 250<sup>ste</sup> verjaardag. In maart 1776 publiceerde Adam Smith zijn baanbrekende werk, de geboortakte van het moderne marktdenken. De economische principes die Smith beschreef, droegen bij aan ongekende welvaarts-groei in de afgelopen eeuwen. Maar ze riepen ook controverse op. Voorstanders prijzen het kapitalisme als motor van vooruitgang. De critici wijzen op ongelijkheid, ecologische uitputting en het systematisch afwentelen van kosten op de samenleving en de leefomgeving.

Het probleem van Smiths erfenis is echter niet het kapitalisme zelf, maar de amputatie van zijn morele fundament. Hoewel Smith in de eerste plaats moraalfilosoof was, wordt hij in het publieke debat vaak gereduceerd tot één zin over eigenbelang en een 'onzichtbare hand'. Zijn minder bekende maar voor Smith belangrijkere werk, *De theorie over morele gevoelens*, verdwijnt daarmee uit beeld.

Dat heeft het debat over nut en noodzaak van duurzaam beleggen versmald tot voornamelijk een economische discussie. Juist vermogenseigenaren zoals pensioenfondsen hebben hun pleidooi voor duurzaam beleggen de afgelopen jaren vooral economisch verdedigd, terwijl er een duidelijk moreel kompas ligt dat het handelen van pensioenfondsen legitimeert. Zonder dat fundament blijven beleggers zich verdedigen voor hun verantwoorde keuzes en blijft duurzaam beleggen in het beste geval instrumenteel, en in het slechtste geval marketing.

En precies daar biedt Smith een uitkomst. In *De theorie over morele gevoelens* introduceert Smith de 'onpartijdige toeschouwer': de denkbeeldige, innerlijke observator die ons dwingt afstand te nemen van onze directe belangen. Wat zou een redelijke, niet-betrokken buitenstaander van mijn handelen vinden? Die innerlijke rechter vermindert onze drift, corrigeert onze zelf-zucht en herinnert ons aan wat gepast en rechtvaardig is, stelt Smith.

Dat is een belangrijk punt, want het haalt het beeld onderuit dat Smith een nietsontziend kapitalisme voorstond. Hij was geen prediker van ongeremd eigenbelang. Jazeker, eigenbelang is een kernbegrip in *De welvaart van landen*. Maar het functioneert alleen binnen grenzen: rechtvaardigheid, bescherming van de eigen eer, zelfbeheersing en morele zelfregulering. Je mag je eigen welzijn nastreven, schrijft Smith, maar nooit door anderen schade toe te brengen. Een principe dat later centraal is komen te staan in het liberale denken. Winst is legitiem, zolang zij de morele ondergrens respecteert. Wie Smith reduceert tot winst-maximalisatie leest hem selectief.

Juist nu is het moment om Smiths twee werken als één geheel te lezen: de economische visie van *De welvaart van landen* kan niet zonder het morele kompas uit *De theorie over morele gevoelens*. Daar zijn drie actuele redenen voor. Ten eerste omdat Europa voor een principiële uitdaging staat. De Europese Unie is in essentie een waardengemeenschap gebaseerd op de rechtsstaat, mensenrechten, een sociale markteconomie en duurzaamheid. In een wereld van geopolitieke rivaliteit is de verleiding groot om die waarden onderhandelbaar te maken ter bevordering van strategische autonomie of concurrentiekracht. Maar zoals Smith ons leert ondermijnt economische kracht zonder morele begrenzing uiteindelijk zijn legitimiteit ondermijnt.

Een tweede reden is dat de miskenning van *De theorie over morele gevoelens* tot op heden een fundamenteel argument ter ondersteuning van duurzaam beleggen door pensioenfondsen heeft weggeslagen. Kapitaalallocatie is nooit waardevrij. Wie belegt namens honderdduizenden of miljoenen mensen maakt impliciet keuzes over wat maatschappelijk aanvaardbaar is. Dat stelt pensioenfondsen voor de uitdaging om een zo goed mogelijk rendement voor hun deelnemers te combineren met maatschappelijk aanvaardbare beleggingskeuzes.

De derde belangrijke reden is dat pensioenfondsen verplicht zijn om de voorkeuren van hun deelnemers in kaart te brengen en deze te betrekken bij het opstellen van beleid. Smiths 'onpartijdige toeschouwer' krijgt zo een concrete vorm in het peilen van deelnemersvoorkeuren. Wanneer deelnemers aangeven mensenrechten of klimaat zwaar te laten wegen, is dat een signaal dat niet terzijde kan worden geschoven. Dat verschaft een stevige legitimatie voor een duurzame koers. Op deze manier dichten pensioenfondsen het gat tussen mens en markt, niet uit idealisme maar uit verantwoordelijkheid.

Het jubileum van *De welvaart van landen* vraagt om een verdieping van de beweging naar verduurzaming die de laatste decennia is ingezet. Wie economie losmaakt van moraal, ondergraaft uiteindelijk het draagvlak van de markt zelf. Smith schreef met *De welvaart van landen* geen handleiding voor het ongeremd nastreven van winst. Als we zijn twee boeken uit elkaar trekken, houden we een karikatuur over. Lezen we ze samen, dan leren we onder welke voorwaarden winst maatschappelijk aanvaardbaar blijft.

Daan Spaargaren  
Senior Strategie Verantwoord Beleggen  
PME pensioenfondsen



# The Rule of Law onder druk: implicaties voor beleggers

Door Marlies van Boven

‘Ik ben echt een vermogensbeheerder’, zegt Olaf van den Heuvel, sinds ruim een jaar Chief Investment Officer bij Achmea Investment Management. ‘Ik hou van markten en beleggen en ben daarin al lange tijd actief’. Achmea staat bekend als zeer succesvolle financier en verzekeraar, maar is volgens Olaf ook een van de grotere vermogensbeheerders van Nederland. € 227 miljard per 31-1-2026. Dat is best een goed bewaard geheim. ‘We beleggen grote bedragen actief: onder andere in credits, staatsobligaties en aandelen. Voor mij is de uitdaging hoe we dat zichtbaarder en op welke manier kunnen we daarin nog succesvoller worden?’

Daarbij speelt ook een bredere overtuiging. Nederland is een land met enorm veel assets, maar een gedeelte van het beheer vloeit de afgelopen jaren deels weg naar het buitenland. ‘Het lijkt soms aantrekkelijker om met een manager in San Francisco te werken dan met een manager in Zeist. Maar dat betekent natuurlijk niet dat een Amerikaan het beter doet. Ik vind het echt belangrijk dat Nederland sterke, professionele vermogensbeheerders houdt en zet me daar graag voor in’.

## RULE OF LAW ALS BELEGGINGSREALITEIT

Volgens Olaf is de link tussen rule of law en beleggen fundamenteel. In staats- en bedrijfsobligaties kijk je altijd naar governance: in hoeverre zijn je rechten beschermd, hoe voorspelbaar is het beleid, en gebeurt er wat je redelijkerwijs mag verwachten? Dat raakt zowel aan klassiek kredietrisico als aan normatieve keuzes.

Achmea, met een coöperatieve achtergrond, vindt het belangrijk om breder naar stakeholders te kijken dan alleen maar aandeelhouderswaarde; zoals arbeidsrechten. In de praktijk proberen sommige grote bedrijven vakbondsvorming te ontmoedigen. Dat is een groeiend thema. In de Verenigde Staten is het recht op vakbondslidmaatschap wettelijk beschermd, maar bedrijven voeren soms agressieve antivakbondscampagnes zoals bij Amazon en Tesla.

‘Dit kan voor beleggers aanleiding zijn om positie te kiezen. Uiteindelijk beheren wij het geld van onze klanten en pensioenfondsen. Het is hun geld, dus hun spelregels. Maar we hebben wel een bepaalde ondergrens.’ En daar zitten die normatieve kaders.

Nederlandse beleggers zijn historisch gewend aan een principle-based benadering: vertrouwen op redelijkheid, principes en institutionele continuïteit. Internationaal zie je vaker een rules-based benadering, waarbij regels letterlijk worden gevolgd – of

opgezocht – zolang ze formeel geldig zijn. Dat is voor ons soms wennen. ‘Zeker als regels zó worden ingezet dat ze de geest van wat je belangrijk vindt ondermijnen’.

## CHINA ALS MEEST CONCRETE VOORBEELD

Waar rule of law echt directe allocatie-impact heeft gehad, is China. De afgelopen jaren is wereldwijd de allocatie naar China afgenomen, mede doordat beleggers zich zorgen maakten over aandeelhoudersrechten en eigendomsstructuren. ‘Het gevoel dat je zomaar onteigend kunt worden, of dat je rechten ineens anders geïnterpreteerd worden, weegt zwaar’.



**Olaf van den Heuvel**, CFA, is Chief Investment Officer bij Achmea Investment Management.

Hij begon zijn loopbaan in de financiële sector in 2000 toen hij in dienst trad bij Aegon Asset Management als portfolio-manager en strateeg. Tijdens zijn carrière bij Aegon vervulde hij diverse functies binnen de investeringsteams en werd hij in 2017 benoemd tot CIO en lid van de Raad van Bestuur. Sinds december 2024 is Van den Heuvel benoemd tot Directeur Vermogensbeheer bij Achmea Investment Management. Van den Heuvel studeerde economie aan de Universiteit van Tilburg en is CFA-charterhouder.

## VERENIGDE STATEN: VEEL DISCUSSIE, WEINIG REALLOCATIE

In de Verenigde Staten ligt dat anders. ‘Daar is de discussie over rule of law, arbeidsrechten en ESG-beleid zichtbaar toegenomen, maar de daadwerkelijke allocatieverschuivingen blijven vooralsnog beperkt’. ‘Dat heeft ook een praktische reden, zegt Olaf’. ‘In aandelenindices weegt de VS enorm zwaar. Het is niet eenvoudig, en vaak ook niet wenselijk, om daar substantieel van weg te bewegen’.

Wel spelen normatieve afwegingen een rol. ‘Je ziet dat het soms moeilijker wordt om ESG- of diversiteitsbeleid te voeren. Dat zijn thema’s die op termijn kunnen leiden tot uitsluitingen, maar we zijn nog niet op het punt waarop dat dit de hele portefeuille raakt’.

Ook de discussie over de dollar en de rol van de VS als anker van het financiële systeem leidt vooral tot debat, niet tot directe actie. Olaf hoort veel gesprekken, maar ziet nog weinig actieve herallocatie – ook niet in valuta-afdekking.

## EUROPA: MINDER NAÏEF, MEER REALISME

De verkiezingen in de Verenigde Staten hebben het Europese perspectief merkbaar veranderd. ‘We zijn minder naïef geworden’, stelt Olaf. Europa leeft volgens hem in een wereld waarin hogere defensie-investeringen onvermijdelijk zijn. Met uitgaven van circa 3% tot 5% van het bbp gaat het om substantiële bedragen, waarvan de economische gevolgen nog onzeker zijn.

Die realiteitszin ziet Olaf ook terug in de Europese regelgeving. Ondernemers worden niet zozeer geremd door een gebrek aan kapitaal, maar door hoge energieprijzen en toenemende regel-druk. Tegelijkertijd groeit het besef dat niet alle uitdagingen via regelgeving zijn op te lossen.

Europa heeft op het gebied van duurzaamheid veel bereikt, maar niet altijd op de meest efficiënte manier. Olaf wijst daarbij op China, waar in sommige sectoren sneller duurzame industrie is opgebouwd. Stabiliteit van regelgeving is mogelijk belangrijker dan een voortdurende stroom aan nieuwe regels – daar kunnen zowel beleggers als ondernemers op anticiperen.

Hij verwacht niet dat de energietransitie in de Verenigde Staten structureel zal terugdraaien, ondanks politieke retoriek. De route van A naar B kan veranderen, maar de richting blijft hetzelfde.

## LOKALE ZICHTBAARHEID VERSUS MONDIALE IMPACT

Een terugkerend dilemma in duurzaam en impactbeleggen is de spanning tussen lokale herkenbaarheid en mondiale effectiviteit. ‘Mensen willen graag zien waarin ze investeren: een windmolen in de Noordzee, een batterijproject in Flevoland’, zegt Olaf.

Maar als je kijkt naar mondiale impact, is wat er in landen als India gebeurt waarschijnlijk veel relevanter. Economische ontwikkeling gaat daar gepaard met stijgende energie- en grondstoffenvraag. De echte verduurzamingsopgave ligt op schaal. Dat vraagt om lastige keuzes: hoe combineer je zichtbaarheid voor klanten met maximale impact wereldwijd?

Volgens Olaf begint dat bij een fundamentele vraag: wil je duurzaam beleggen, of wil je daadwerkelijke impact realiseren?

Voor het laatste zijn private markets vaak geschikter dan publieke markten. Daar zijn we samen met onze klanten ook echt stappen in aan het zetten.

## MEER ONZEKERHEID VRAAGT OM MEER FLEXIBILITEIT

Voor de komende jaren verwacht Olaf dat geopolitieke onzekerheid een blijvend kenmerk van het beleggingslandschap zal zijn. Niet zozeer omdat één specifiek rampscenario dominant is, maar juist omdat er meerdere mogelijke uitkomsten zijn. Denk aan handelsspanningen, geopolitieke conflicten of onverwachte politieke besluiten. Zulke ontwikkelingen kunnen flinke effecten hebben op financiële markten, bijvoorbeeld via valuta, energieprijzen of risicopremies.

Volgens Olaf betekent dit niet dat beleggers zich structureel uit bepaalde regio’s moeten terugtrekken. Wel vraagt het om een beleggingsproces dat voldoende flexibiliteit kent en het mogelijk maakt om tactisch te reageren wanneer de omstandigheden daarom vragen.

Dat kan betekenen dat categorieën die de afgelopen jaren minder populair waren, opnieuw relevant worden. Hedge funds, of bredere asset-allocatiemandaten, kunnen helpen om met uit-schieters om te gaan. In een pensioenomgeving waarin rendementen transparanter en frequenter worden vergeleken, wordt die flexibiliteit belangrijker.

## VAARDIGHEDEN EN TOOLS VAN DE TOEKOMST

De veranderende wereld vraagt ook andere vaardigheden. Olaf ziet sterke groei in impact-, data- en quant-teams. Data is cruciaal: waar komt je data vandaan, hoe maak je die vergelijkbaar, hoe rapporteer je erover? Private markets blijven groeien, en ook quant-beleggen krijgt een nieuwe impuls door betere data en slimmere modellen.

AI ziet hij als een potentiële game changer, met name voor krediet- en ESG-analyse. Dat waren al trends, maar ze versnellen nu. Je ziet dat teams groeien en dat we actief zoeken naar mensen met deze expertise.

## EUROPA EN INNOVATIE

Over Europese innovatie is Olaf voorzichtig optimistisch. Er is meer aandacht voor het wegnemen van belemmeringen, maar de structurele uitdaging blijft: Europa is gefragmenteerd. Het probleem is niet zozeer kapitaal, maar schaal. Eén markt, één taal – dat is het grote voordeel van de Verenigde Staten. De kracht van Europa is pluriformiteit, maar dat is tegelijk de zwakte.

## TOT SLOT

Als afsluiting keert Olaf terug naar zijn beginpunt. Het zou goed zijn als de Nederlandse financiële sector weer wat meer zelfvertrouwen krijgt. Er zit hier ongelooflijk veel kennis en kwaliteit. Het is belangrijk dat we dat blijven zien – en uitdragen.

# De Amerikaanse dollar als veilige haven en reservemunt: status onder druk en gevolgen voor het valutahedgingbeleid

Michael Kurz en Martijn van Hien, CFA

## INLEIDING

De Amerikaanse dollar (USD) heeft decennialang een unieke positie ingenomen in het mondiale financiële systeem. De munt fungeert niet alleen als dominante reservemunt, maar ook als veilige haven tijdens periodes van financiële stress. Deze dubbele rol heeft grote invloed op het valutarisicobeleid van institutionele beleggers, zeker in Nederland waar beleggingsportefeuilles vaak een aanzienlijke blootstelling aan de USD hebben. De afgelopen jaren zijn er echter duidelijke signalen dat beide functies van de dollar onder druk staan. In 2025 bleek tijdens verschillende risicovolle periodes dat de USD zich niet langer automatisch als veilige haven gedraagt. Tegelijkertijd is het aandeel van de dollar in de wereldwijde valutareserves gestaag aan het dalen, zoals blijkt uit recente COFER-gegevens van het IMF (IMF, 2025). In dit artikel wordt onderzocht welke structurele krachten deze verschuivingen veroorzaken, hoe beleggers deze ontwikkelingen kunnen monitoren en welke implicaties dit heeft voor het valutahedgingbeleid.

## DE UNIEKE POSITIE VAN DE USD

De USD onderscheidt zich van andere valuta doordat het zowel een veilige haven als de belangrijkste reservemunt is (Acharya & Laarits, 2025a; Castro et al., 2025). In tijden van marktstress

zochten beleggers traditioneel hun toevlucht tot de dollar, waardoor deze steeg ten opzichte van andere valuta. Tegelijkertijd is de USD de dominante munt voor internationale handel en wordt het door centrale banken wereldwijd aangehouden als reserve. Deze combinatie van functies is uniek en onderstreept de structurele vraag naar USD-activa. Andere valuta, zoals de Japanse yen (JPY) en de Zwitserse frank (CHF), stijgen vaak tijdens crises, maar hebben geen grote rol als reservemunt. De euro (EUR) is na de USD de grootste reservemunt, maar fungeert niet als consistente veilige haven. De USD verenigt beide eigenschappen, wat historisch leidde tot een positieve carry en een natuurlijke hedge voor internationale portefeuilles (Castro et al., 2025).

De aantrekkelijkheid van de USD als veilige haven en reservemunt komt tot uiting in de zogenaamde convenience yield, het impliciete voordeel dat beleggers toekennen aan de uitzonderlijke veiligheid en directe verhandelbaarheid van USD-liquide activa. Dit is het extra rendement dat beleggers bereid zijn op te geven voor de veiligheid en liquiditeit van Amerikaanse dollars. De convenience yield is doorgaans positief en weerspiegelt de structurele vraag naar USD-activa (zie Figuur 1). Dit effect werd al vroeg empirisch aangetoond in prijsrelaties op financiële markten (Fama & French, 1987) en later verder uitgewerkt in

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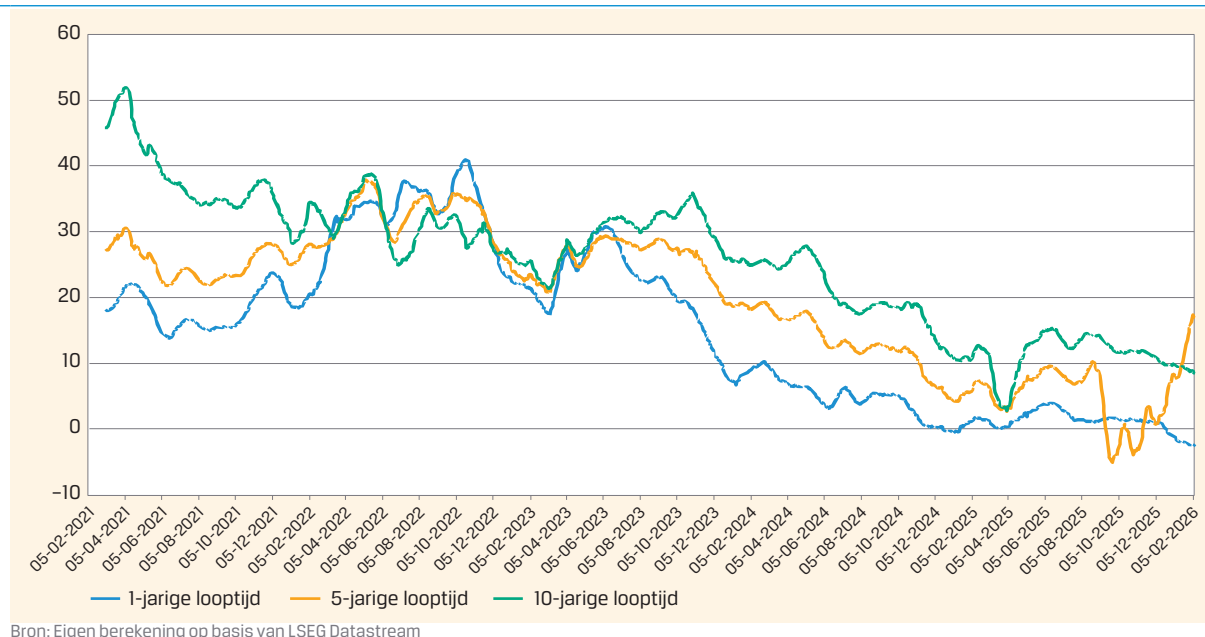


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**Figuur 1**  
Illustratie van de historische convenience yield op Amerikaanse Dollar



onderzoek naar de bijzondere vraag naar USD-veilige-activa (Krishnamurthy & Vissing-Jorgensen, 2012; Acharya & Laarits, 2025a).

Juist op de vijfjarige looptijd wordt dit mechanisme het sterkst zichtbaar. Deze looptijd vormt het snijvlak waar verwachtingen over toekomstig monetair beleid samenkomen met bindende balans- en leverage-restricties bij banken en primaire dealers, die hun capaciteit om Treasuries op de balans te nemen beperken (Duffie et al., 2023; Kashyap, Stein, Wallen & Younger, 2025). Een toename van de vraag naar USD-veiligheid vertaalt zich daardoor relatief snel in extra neerwaartse druk op vijfjarige yields en een tijdelijke piek in de convenience yield (zie Figuur 1).

### BREUK IN HET SAFE HAVEN-MECHANISME

De afgelopen jaren zijn er duidelijke signalen dat het safe haven-mechanisme van de USD niet meer als vanzelfsprekend functioneert. Tijdens de handelstarieven-crisis van april 2025 daalde de USD, terwijl aandelen en andere risicovolle activa ook scherp daalden. Dit wijkt af van eerdere crises, waarin de USD juist steeg (Acharya & Laarits, 2025b). De correlatie tussen USD en Treasuries is afgenomen, en de convenience yield op Treasuries daalt. Dit is zichtbaar in Figuur 1, waar de dalende trend in de convenience yield duidelijk wordt. Dit ondermijnt het traditionele hedgingmechanisme.

De verzwakking van het safe haven-karakter van de USD hangt samen met spanningen op de Amerikaanse Treasuries-markt. Strengere kapitaalregels, zoals de Supplementary Leverage Ratio (SLR), hoge staatsschuld en geconcentreerde hefboomposities bij hedgefondsen beperken de balansruimte van banken en dealers (Duffie, 2025; Federal Reserve, 2025). Hierdoor functioneert de markt minder goed als veilige haven tijdens stress. In het verleden konden banken en dealers in tijden van stress grote hoeveelheden Treasuries opnemen op hun balans, waardoor de markt liquide bleef en de USD zijn rol als veilige

haven kon vervullen. Door strengere regelgeving en een historisch hoge staatsschuld is deze absorptiecapaciteit nu beperkt.

De rol van hedgefondsen is in dit verband ook veranderd. Zij financieren hun posities in Treasuries vaak met kortlopende leningen via de repomarkt. Als banken minder bereid zijn om deze leningen te verstrekken, daalt de hefboomcapaciteit van hedgefondsen. Figuur 2 toont de netto posities van hedgefondsen in Treasury futures. Hieruit blijkt dat de hefboomposities groot blijven, wat het systeem kwetsbaar maakt. Dit maakt hen kwetsbaar voor margin calls en gedwongen verkopen bij marktonrust (Kashyap et al., 2025).

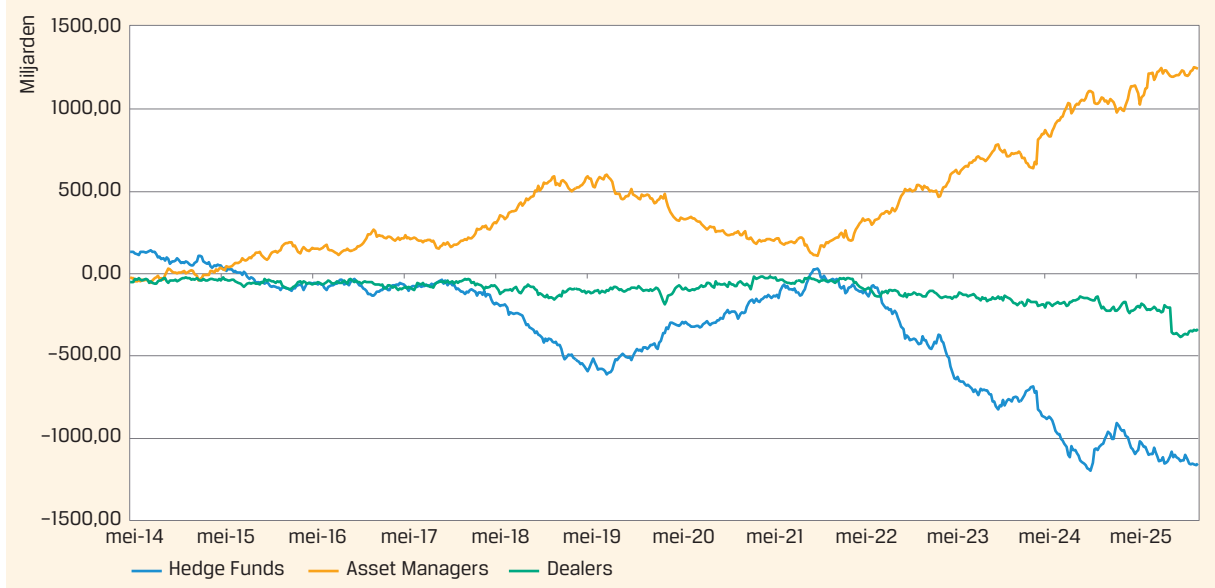
De impact van strengere kapitaalregels op de balansruimte van banken is zichtbaar in Figuur 3.

### DE DOLLAR BLIJFT CENTRAAL, MAAR HET SAFE HAVEN-EFFECT HANGT STERKER SAMEN MET DE WERKING VAN DE TREASURY-MARKT

Hoewel toezichthouders in december 2025 een aanpassing van de eSLR-regels hebben aangenomen om de druk op bankbalansen te verlichten, was deze wijziging in de marktpraktijk nog niet merkbaar. Hierdoor bleef de beperkte absorptiecapaciteit van banken tijdens recente stressmomenten grotendeels bestaan (OCC, Federal Reserve System & FDIC, 2025).

Deze SLR headroom van grote banken de afgelopen jaren fors is afgenomen, wat de absorptiecapaciteit van banken beperkt. De combinatie van beperkte balansruimte bij banken, hoge leverage bij hedgefondsen en een groeiend aanbod van Treasuries

**Figuur 2**  
Hedge Fund netto posities in Treasury Futures



Bron: Eigen berekening op basis van de OFR Hedge Fund Monitor

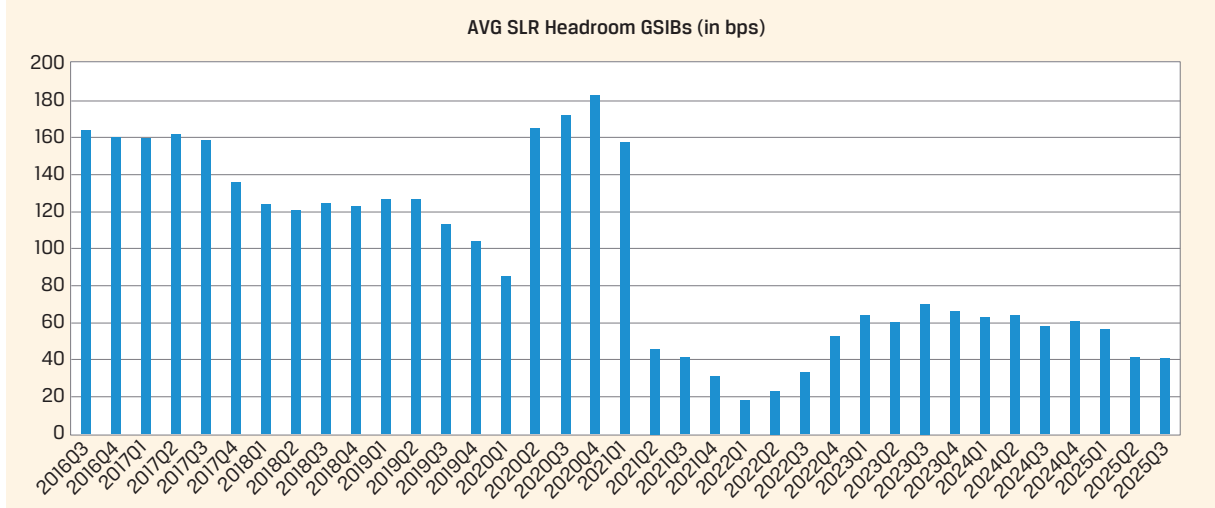
zorgt ervoor dat het safe haven-mechanisme van de USD fragiel is geworden.

Tijdens recente stressmomenten blijkt dat kapitaalstromen nog steeds deels richting USD-activa lopen, maar dat deze instroom minder uniform is dan tijdens eerdere crises: in 2025 functioneerde de USD niet langer automatisch als veilige haven, terwijl centrale banken tegelijkertijd een groter deel van hun veilige-haven-allocaties verschuiven naar goud en andere alternatieven (Duffie, 2020). Tevens laten de mondiale valuta-reservecijfers zien dat een deel van de vluchtstromen zich spreidt over andere valuta's zoals de euro, wat consistent is met structurele valuta-reserve-diversificatie (Arslanalp, Eichengreen & Simpson-Bell, 2022). Dit wijst erop dat beleggers de USD nog steeds benutten bij gebrek aan beter, maar niet meer met dezelfde vanzelfsprekendheid als voorheen.

### DE RESERVESTATUS VAN DE USD ONDER DRUK

Naast het safe haven-mechanisme staat ook de status van de USD als reservemunt onder druk. Wereldwijd is al meer dan twintig jaar sprake van een geleidelijke verschuiving weg van de dollar. Het aandeel van de USD in de officiële deviezenreserves daalde van ruim 70% in 2001 naar ongeveer 56% eind 2025 (IMF COFER, 2025). Centrale banken diversifiëren hun reserves, mede door geopolitieke risico's en sancties (Arslanalp, Eichengreen & Simpson-Bell, 2022). De bevrozing van Russische reserves in 2022 was een belangrijke katalysator die de de-dollarisering versterkte. Centrale banken beseffen sindsdien dat dollarreserves niet immuun zijn voor geopolitieke sancties. Toch blijft de dollar dominant, vooral omdat centrale banken behoefte hebben aan liquide en veilige activa die in crisistijd snel inzetbaar zijn. Amerikaanse staatsobligaties voldoen nog steeds het beste aan die voorwaarden (Boocker & Wessel, 2024).

**Figuur 3**  
Balansabsorptie-  
vermogen gewogen  
gemiddelde van  
grote banken in bps  
(SLR headroom)



Bron: Eigen berekening op basis van de OFR Bank Systemic Risk Monitor

De daling van het dollar-aandeel is niet gecompenseerd door een stijging van traditionele alternatieven zoals de euro, yen of pond. In plaats daarvan is er een toename zichtbaar in het gebruik van kleinere valuta zoals de Canadese en Australische dollar, en de Zwitserse frank. Deze bieden diversificatie en zijn dankzij digitale technologieën makkelijker verhandelbaar geworden. Toch blijft hun rol beperkt door schaal en liquiditeit. IMF-onderzoek laat bovendien zien dat deze verschuiving niet alleen plaatsvindt bij geopolitieke rivalen van de VS, maar dat minstens 49 landen, waaronder het merendeel van de G20, hun reserves geleidelijk aan het diversifiëren zijn weg van de dollar (Arslanalp et al., 2024).

### CENTRALE BANKEN BESEFFEN DAT DOLLARRESERVES NIET IMMUUN ZIJN VOOR GEOPOLITIEKE SANCTIES

De renminbi leek aanvankelijk te profiteren van deze trend, mede dankzij Chinese initiatieven zoals het CIPS-betalingsstelsel en de digitale yuan. Maar sinds 2022 is ook het aandeel van de renminbi in de reserves gedaald, zelfs na correctie voor wisselkoerseffecten. De beperkte verhandelbaarheid en kapitaalcontroles blijven een structurele belemmering voor de internationale rol van de munt (von Beschwitz, 2024). Tegelijkertijd wint goud aan belang als geopolitieke hedge. Vooral opkomende markten zien goud als een sanctie-ongevoelig alternatief dat lokaal kan worden opgeslagen. IMF-onderzoek toont aan dat de vraag naar goud positief samenhangt met geopolitieke spanningen en mondiale onzekerheid (Arslanalp et al., 2024). Toch is goud geen vervanging voor valuta: het genereert geen rente, is minder liquide en speelt geen rol in handelsfacturering.

Naar onze verwachting blijft de structurele vraag naar dollars bestaan zolang alternatieven niet aan dezelfde liquiditeits- en betrouwbaarheidseisen voldoen. Dit ondersteunt de convenience yield en rechtvaardigt gedeeltelijke blootstelling aan de USD. Indien de hedgingeigenschappen van Treasuries verder verslechteren, zoals geschetst door Acharya en Laarits (2025a), kan dit de aantrekkelijkheid van de USD als reservemunt ondermijnen. Centrale banken zouden dan sneller geneigd kunnen zijn hun reserves te diversifiëren richting activa die beter presteren in crisissituaties.

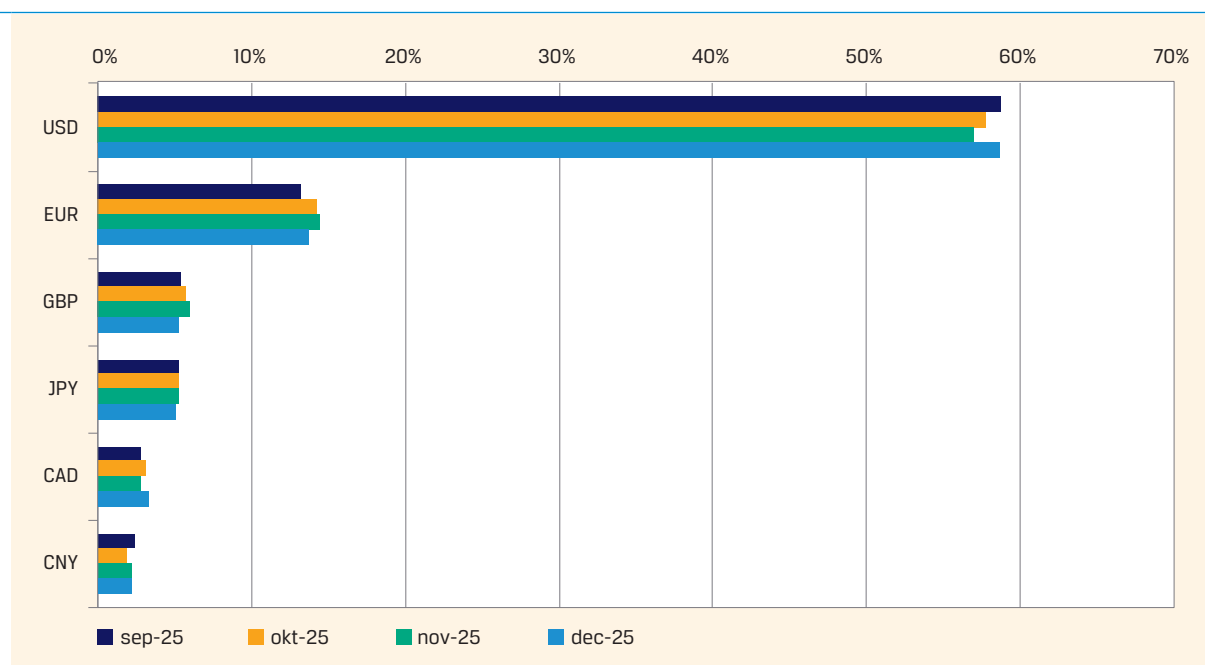
### NETWERKEFFECTEN EN DE ROL VAN DE USD IN INTERNATIONALE HANDEL

Ook in de wereldhandel groeit de wens tot diversificatie, waarbij sommige economieën sinds 2021 hun afhankelijkheid van de dollar in handelsfacturering hebben verlaagd (Boz et al., 2025). Toch wordt nog steeds meer dan de helft van alle wereldwijde handel in dollars gefactureerd (zie Figuur 4). De dollar is bovendien betrokken bij bijna alle valutatransacties. Deze dominantie beperkt de beleidsruimte van veel landen, vooral opkomende economieën. Omdat prijzen vaak in dollars worden vastgesteld, hebben wisselkoersveranderingen minder invloed op exportprijzen. Hierdoor wordt monetair beleid buiten de VS minder effectief (Gopinath & Itskhoki, 2022).

De aanhoudende dominantie van de dollar is te danken aan sterke netwerkeffecten. Hoe meer landen de dollar gebruiken, hoe aantrekkelijker het voor andere landen wordt de dollar ook te gebruiken. Daarnaast is de infrastructuur rond de dollar goed ontwikkeld. Denk aan het wereldwijde SWIFT-systeem, de rol van de Federal Reserve als crisisbank via swaplijnen, en de diepe markt voor Treasuries (Georgiadis & Möslé, 2019).

China werkt aan alternatieven, zoals het CIPS-netwerk en swaplijnen in renminbi. Deze worden vooral gebruikt in Azië

Figuur 4  
Aandeel van de USD in internationale betalingen



Bron: Swift RMB Tracker

en BRICS-landen. Swaplijnen leiden aantoonbaar tot meer renminbi-facturering, vooral in landen met veel handel met China (Georgiadis et al., 2021). Toch blijft de renminbi beperkt inzetbaar door kapitaalrestricties en institutionele onzekerheid.

Andere initiatieven, zoals een gezamenlijke BRICS-munt of digitale handelsplatforms, zijn nog in een vroeg stadium. Ze missen schaal, vertrouwen en stabiele governance (Mayer, 2024). Onderlinge spanningen binnen BRICS-landen en zorgen over Chinese dominantie beperken het draagvlak. Ook in de grondstoffenhandel zijn er signalen van de-dollarisatie, zoals de toename van energiecontracten die in andere valuta worden geprijsd (J.P. Morgan, 2025). Voor olie-exporten is de dollar echter nog steeds de dominante valuta, blijkt uit recent IMF-onderzoek (Boz et al., 2025).

## RESERVE-DIVERSIFICATIE GAAT ZELDEN VIA ÉÉN OPVOLGER, MAAR VIA SPREIDING, MET GOUD EN KLEINERE VALUTA'S VAKER IN BEELD

Nieuwe technologieën, zoals digitale centrale bankmunten, kunnen op termijn de afhankelijkheid van de dollar verminderen. Pilots laten zien dat grensoverschrijdende betalingen sneller en goedkoper kunnen zonder tussenkomst van de dollar. Maar deze systemen staan nog in de kinderschoenen. Voor een echte verschuiving is meer nodig: vertrouwen, samenwerking en tijd.

### PRAKTISCHE IMPLICATIES VOOR VALUTAHEDGINGBELEID

Dit artikel laat zien dat de status van de USD als veilige haven en reservemunt niet langer vanzelfsprekend is. Marktstructuur, regelgeving en geopolitieke trends zetten het traditionele mechanisme onder druk. Voor beleggers betekent dit: blijf niet hangen in oude aannames, maar monitor actief de onderliggende drijfveren en wees voorbereid om het valutabeleid aan te passen als structurele veranderingen zich doorzetten.

Zolang er geen volwaardig alternatief is, blijft de USD echter een centrale rol spelen. Tegelijk is het logisch dat beleggers nadenken over mogelijke reacties op een minder vanzelfsprekende dollarpositie. Afhankelijk van de beleggingsdoelstellingen en risicobereidheid kan dit bestaan uit gecontroleerde diversificatie of uit het zorgvuldig beheersen van valutarisico via een stabiel en langetermijn-georiënteerd hedgingkader. In de huidige omgeving, waarin tijdelijke dollarbewegingen niet automatisch structurele trends weerspiegelen, blijft een consistente langetermijnbenadering het meest rationeel.

Het is raadzaam om niet alleen te kijken naar korte termijn volatiliteit of politieke ruis, maar vooral te focussen op de economische fundamenten die het safe haven-mechanisme van de dollar sturen. Dit vraagt om aandacht voor de structuur en het functioneren van de Treasury-markt, hoe deze wordt

beïnvloed door balansposities van banken en hedgefondsen, en de internationale vraag naar Amerikaanse schuld. Daarnaast zijn verschuivingen in de samenstelling van wereldwijde reserveportefeuilles en het gebruik van de USD in internationale handel en betalingsinfrastructuur van blijvend belang.

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# Strategic Diversification to reduce Dollar Concentration Risk

*Keshav Bhatt<sup>1</sup>*

## INTRODUCTION

The US Dollar is the dominant currency in global finance and is of immense importance to American allies in the middle east who conduct majority of their trade transactions in dollars. In November 2023, Saudi Arabia signed a large Bilateral Currency Swap (BCS) agreement with China. While this might be seen this as a risky upheaval to the prevailing regime, the financial markets perceived this positively when measured using Sovereign Credit Default Swaps (CDS). This study reveals that five days before the deal was even official, Saudi CDS premiums decreased by 6%, a massive shift compared to historical norms. The results are also significant statistically when compared against the control (Australia). This shows that currency diversification isn't just about technicalities; it enables tail-risk reduction

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## FREEZING OF RUSSIA'S FOREIGN RESERVES REVEALED THE WEAPONIZATION OF TRADITIONAL SAFE HAVEN ASSETS

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Dutch institutional portfolios, similar to their European peers, remain structurally concentrated in U.S. assets because of reasons such as their perceived safety, liquidity and superior returns profile. However, recent geopolitical developments such as tariff conflicts, wars and growing fiscal pressures in the United States raise the possibility of a tail risk event originating from USA. Therefore, Dutch asset allocators, should start thinking on mechanisms to ensure the resilience of their portfolios to geopolitical shocks coming from traditionally “safe” American assets.

This article examines how the market responds to strategic diversification away from exclusive reliance on U.S. assets. Using an event-study framework, this paper shows that markets reward signals of cautious diversification. The implication for European investors is that gradual currency and reserve diversification may improve risk-adjusted portfolio resilience.

First this article examines the evolution of bilateral currency swaps and their primary role in monetary infrastructure. Second, the choice to compare Saudi Arabia's 2023 RMB swap with Australia's 2012 agreement is motivated. Third, the econometric techniques to perform this analysis is presented. Fourth, the results showing the positive market perception of Saudi CDS

spreads is demonstrated. Finally, the policy implications of this research specifically in the context of Europe's strategic exposure to a dollar-centric financial system is discussed.

## THE EVOLUTION OF CURRENCY SWAPS

A bilateral currency swap (BCS) is an agreement between two central banks to exchange usually its domestic currency, for a certain amount of foreign currency at predetermined rates and terms. A BCS's primary function is to facilitate trade settlement efficiently by enabling importers and exporters to settle transactions in local currencies rather than dollars. It can have other functions also like signalling strategic partnerships or providing emergency liquidity. In fact BCS proliferated following the 2008 Great Financial Crisis (GFC), when the Federal Reserve deployed them to alleviate global dollar shortages. Central banks now use swaps for diverse objectives: reserve accumulation, trade settlement, corporate lending, and geopolitical influence. China has been particularly active, establishing over 40 RMB swap lines totalling 4 trillion RMB since 2009 – embedding them in continuous bilateral relationships (especially with indebted nations) rather than reserving them for crises (Zhitao, Wenjie, & Cheung, 2016) (Steil, 2024).

**Keshav Bhatt**  
Analyst at Rabobank



This question is addressed through an event study analysis of sovereign credit default swap (CDS) responses to bilateral RMB swap announcements, focusing on Saudi Arabia's November 2023 agreement with China as treatment and Australia's March 2012 agreement as control.

## RETHINKING DOLLAR DEPENDENCE

Economist Barry Eichengreen (2025) argues that the proliferation of a reserve currency rest on two attributes. The Mercury attribute underscores pecuniary matters like economic strength, deep financial markets, strong rule of law. While the Mars attribute underscores geopolitical matters like security provisions, alliances and military might. The dollar historically offered both Mercury and Mars attributes, commanding a premium based on both economic fundamentals and geopolitical security provisions. Eichengreen demonstrates in his research that countries such as Germany, Japan, Korea, Saudi Arabia, and Taiwan hold disproportionate amounts of dollar reserves, consistent with a geopolitical alignment effect, in addition to economic fundamentals.

Donald Trump's more confrontational stance toward his European partners in his second term has weakened the dollar's Mars premium since the Europeans can no longer rely on the US as a reliable military ally (Cassidy, 2026). Furthermore, mounting U.S. fiscal pressures – most notably rising public debt and heightened policy volatility – have raised questions about the durability of the dollar's traditional safe-haven status (Ertz, 2025). At the same time, the perceived erosion of the long-term service benefits offered by U.S. Treasuries, combined with an investor rotation into gold as an alternative reserve asset, has further undermined the status of the dollar as a safe asset after the tariff shock of April 2025 (Acharya & Laarits, 2026).

Although no full dollar alternative exists, concentration in dollar-denominated assets entails growing risk. For European institutions, whose reserve management has historically been anchored by reciprocal trade flows and defence cooperation with the US, the current U.S. policy environment makes the need for greater reserve diversification imperative. A prudent approach for European policymakers should be to adopt a more diversified approach in the choice of reserve currency grounded in pecuniary matters (Mercury attributes) rather than one based purely on geopolitical alignment (Mars attributes). Bilateral currency swaps, particularly with economically significant non-dollar partners, represent one mechanism for building such diversification without abandoning core alliances.

## SCOPE

- The research exclusively considers the initial signing of bilateral RMB swap agreements and excludes subsequent renewals, as these are largely anticipated by markets and therefore unlikely to convey new information.
- Time period is restricted to a short-horizon to exclude longer-term institutional or macroeconomic adjustments that evolve gradually and are not suited to event-study identification.

## CASE STUDIES

This article examines whether RMB bilateral swap announcements reduce perceived sovereign credit risk, as measured by credit default swap (CDS) spreads. This article focusses on two cases: Saudi Arabia's RMB swap announcement in 2023, and Australia's RMB swap agreement in 2012. In this study, Saudi Arabia features as the treatment group while Australia serves as the historical control.

The choice of Saudi Arabia is two-fold, it is a major US geopolitical ally with its currency pegged to the dollar hence it sits very well in the Mars thesis. Secondly, while there have been other large economies that have signed BCS agreements with China, the agreement valued at RMB 50 billion is the largest in the past decade.

The choice of Australia as a control variable is motivated due to the following similarities to Saudi Arabia:

1. Economic profile: Both Australia and Saudi Arabia are wealthy, commodity exporting economies
2. Geopolitical profile: Both Australia and Saudi Arabia are major US allies and have deep defence cooperation agreements with the USA via the ANZUS treaty and US-Saudi Strategic Defence Agreement respectively
3. China profile: For both Australia and Saudi Arabia, the top trading partner is China, with major commodity exports consisting of iron ore and oil, respectively (Australian Government Dept of Foreign Affairs and Trade, n.d.) (Xinhua, 2025)

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## SAME SWAP STRUCTURE, A DIFFERENT GEOPOLITICAL WORLD

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The key difference is temporal: Australia's 2012 agreement occurred before the overt weaponization of dollar-based financial infrastructure, while Saudi's 2023 agreement came in an era of heightened currency geopolitics. This temporal separation enables an empirical assessment of whether markets price currency swaps primarily for their operational liquidity provision or is there an element of geopolitical hedging also present?

## CAVEAT

With a sample size of two, this study does not aim to establish generalisability *i.e.*, all RMB swap announcements with China systematically reduce CDS spreads across all sovereigns. The motive is to prioritise causal identification in the Saudi case. Following the logic of event study methodology (Huntington-Klein, 2021), I am attempting to identify the specific tail-risk insurance mechanism and establish whether it operates causally by demonstrating its presence in a high-exposure case and its absence in a low-exposure counterfactual. By benchmarking against a structurally similar but temporally distant sovereign,

the two-case comparison isolates contextual variation while holding core characteristics constant.

## CONTRIBUTION

Existing work on China's RMB bilateral swap agreements largely focuses on the determinants of such agreements. In contrast, this paper investigates the market-pricing consequences of a specific announcement using daily sovereign CDS spreads and segmented regression to estimate the causal impact on perceived sovereign risk. Therefore, this paper specifically answers how financial markets revise perceived sovereign credit risk around the announcement, controlling for global risk factors.

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## MARKETS MOVED EARLIER AND REWARDED STRATEGIC OPTIONALITY

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The contribution of this article is threefold. Firstly, an event-study framework is used to discover information endogenously. Secondly, a control is used to test whether the observed effects reflect a generic policy channel or context-specific signalling. Finally, the empirical findings are connected to a broader argument about Europe's strategic position in an evolving multi-polar world under the backdrop of an increasingly unstable dollar-centric system.

## DATA

This paper uses freely accessible datasets with variables commonly used in the sovereign risk literature. The dependent variable is 10-year sovereign CDS spreads for Saudi Arabia and Australia and the control variables are:

- VIX index (global risk appetite proxy)
- US 10-year Treasury yield (benchmark risk-free rate)
- Brent crude oil prices (Saudi Arabia's primary export commodity)
- Iron ore prices (Australia's primary export commodity)

## METHODOLOGY

### TREATMENT VS CONTROL

For this research, the treatment case is RMB swap agreement with China (announced November 20, 2023). Where the goal is to test if markets perceive dollar diversification as destabilizing leading to rise in CDS spreads. Conversely, the CDS spreads should fall if markets perceive dollar diversification as a stabilizing factor.

Given their similar profile, Australia's RMB swap agreement with China (announced 22 March 2012) forms as the control. The paper incorporates a control to determine the strength of the causal inference and credibility of the Saudi Arabia findings.

Specifically, the usage of control attempts to evaluate competing hypotheses such as:

- Any currency swap reduces CDS spreads regardless of the (geopolitical) context
- Any deepening ties with China reduce CDS spreads
- The results are explained by random noise or specification errors.

### EVENT STUDY WITH ENDOGENOUS DISCOVERY

The research performs a traditional event study however instead of assuming orderly behaviour by the markets on the date of announcement, the methodology also allows for information arrival within a symmetric window of five working days around the date of announcement to determine when abnormal returns are statistically maximized. An observation window of  $\pm 5$  trading days is robust to capture information leakage before the formal announcement and also gives time to the market to assess implications of politically complex events.

This is done for both countries and the presence of a statistically significant date is necessary to determine whether a BCS agreement has an effect on abnormal returns. Moreover, if a statistically significant date is not present, further analysis cannot be conducted as it implies the BCS mechanism is insufficient to reduce risk perception by market participants.

### ESTIMATING NORMAL RELATIONSHIP

As is traditional in econometric studies, estimation data is used from 1 year before the event to 30 days before the event, to estimate normal relationship between CDS spreads and fundamental risk drivers. The equation capturing the relationship can be written as:

$$\Delta CDS_t = \alpha + \beta_1 \Delta US10Y_t + \beta_2 \Delta \log(VIX_t) + \beta_3 \Delta \log(Commodity)_t + \epsilon_t$$

In the equation above:

- Where  $\Delta$  means the daily lagged difference change. The one-day lag helps to incorporate belief revisions
- VIX has been log transformed to demonstrate proportional changes in uncertainty. Moreover, log transformation helps to account for the high skew in VIX data
- Similar to VIX, commodity prices exhibit large price swings, logging helps to compress the scale of these swings, leading to more stable variance
  - For Saudi Arabia, the commodity is Brent crude oil prices
  - And for Australia, the commodity is iron ore prices

### ABNORMAL RETURNS (AR)

Sovereign CDS spreads typically incorporate structural credit information within several days of disclosure. Therefore, abnormal returns are computed over an observation window spanning  $\pm 5$  trading days around the announced event. And, abnormal returns calculated on this window, can be defined as the difference between the actual  $\Delta CDS$  and the predicted values (obtained from the pre-event estimation model as the counterfactual baseline).

$$AR_t = \Delta CDS_t - \widehat{\Delta CDS}_t$$

Thereafter, for each day in the observation window these abnormal returns are standardized and tested using t-test at a 5% significance level. If a date with statistically significant abnormal return is found, then it is identified as the true event date.

**RIGOR OF THE METHODOLOGY**

A two-stage analysis from calculating abnormal returns around an event to determining if beliefs follow a new trajectory confirms both immediate shock and persistent repricing. Additionally, both analyses were tested for heteroskedasticity and autocorrelation. Finally, the usage of a control (Australia) helps to isolate geopolitical effects from generic swap agreement effects.

**RESULTS**

**SAUDI ARABIA**

**Estimating Normal Relationship**

The regression model finds that a 1% increase in Brent crude oil prices is associated with a 10.99 basis point decrease in Saudi CDS spreads, meaning that rising oil prices make Saudi Arabia appear financially safer to investors. This result is economically significant and statistically robust. By contrast, the model finds no meaningful relationship between Saudi credit risk and movements in U.S. 10-Year Treasury yields or changes in global market volatility. Although, the model suggests that Saudi sovereign risk is primarily driven by oil market dynamics, both Treasury yields and the VIX are retained to account for broader global financial conditions.

This can be represented in an equation as:

$$\Delta CDS_t = 0.065 - 0.46\Delta US10Y_t + 1.02\Delta \log(VIX)_t - 10.99\Delta \log(Brent)_t + \epsilon$$

**Abnormal Returns**

An analysis of the highest abnormal returns values for the observation window reveals a statistically significant market reaction occurred on November 15<sup>th</sup> (as seen in Figure 1), three trading days prior to the public announcement. On this date, Saudi 10-year CDS spreads experienced an abnormal decline of 5.95 bps ( $t = 4.05, p < 0.001$ ), representing a highly significant repricing of sovereign risk even compared to the date of official announcement date.

Consistent with the endogenous event discovery approach, the statistically significant market reaction of November 15, 2023 will be used for next steps.

**AUSTRALIA'S 2012 SWAP GENERATED NO CDS RESPONSE, CONFIRMING MARKETS DISCRIMINATE ON FACTORS MORE THAN THE GENERIC SWAP MECHANICS**

Furthermore, when measured using cumulative abnormal returns, the evidence suggests that the market reaction unfolded gradually over several days, likely reflecting anticipation and the slow incorporation of information rather than an immediate repricing on the announcement day.

Figure 1  
Early Market Repricing (15 Nov) Prior to Public Announcement (Nov 20)

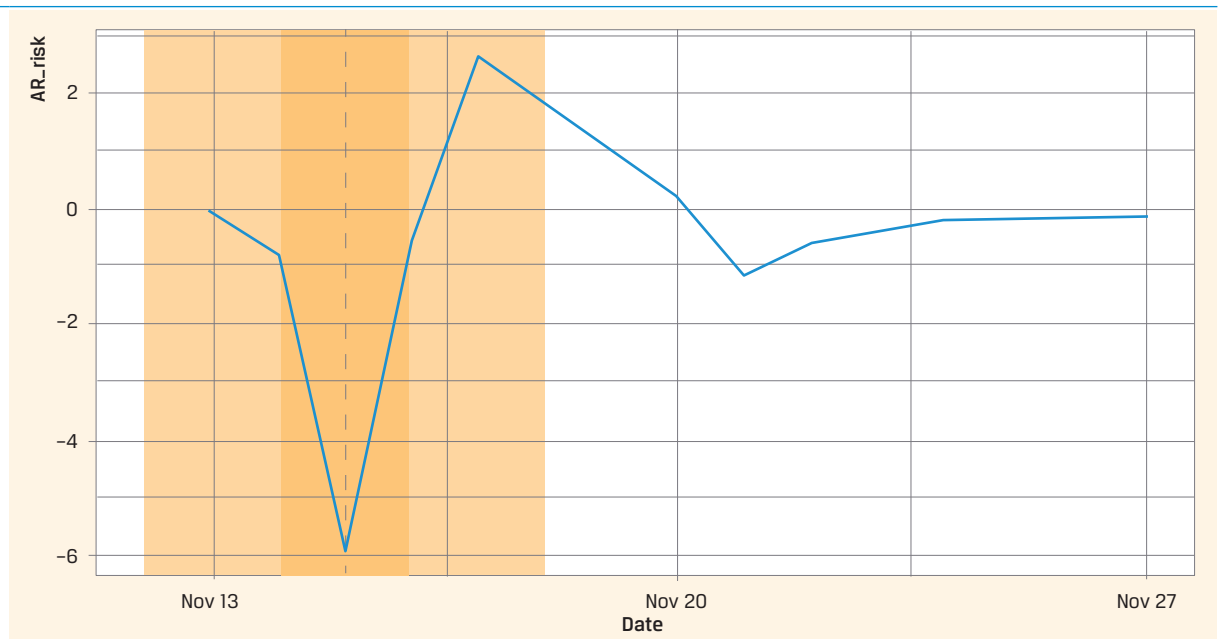
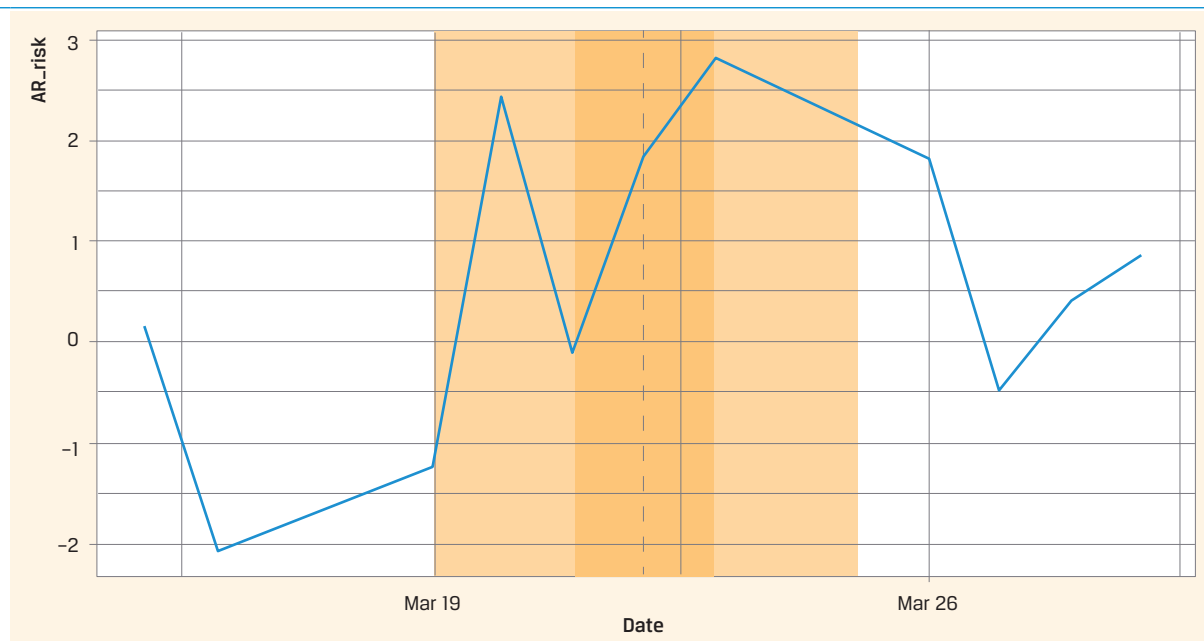


Figure 2  
Absence of impact  
on CDS spreads for  
Australia



## AUSTRALIA

### Estimating Normal Relationship

The regression model suggests that a 1% increase in the VIX is associated with a 1.17 basis point increase in CDS spreads while a 1% increase in iron ore prices is associated with a 39.06 basis point decrease in CDS spreads. Indicating that stronger commodity prices significantly improve perceptions of Australia’s creditworthiness. This can be represented using the following regression equation:

$$\Delta CDS_t = 0.094 - 0.35\Delta US10Y_t - 1.17\Delta \log(VIX)_t - 39.06\Delta \log(Iron)_t + \varepsilon_t$$

### ABNORMAL RETURNS

An inspection of abnormal CDS returns for Australia within the ±5-day window around the swap announcement date (as seen in Figure 2) reveals no statistically significant market reaction on any trading day. The absence of a detectable market reaction supports the use of Australia as a control case, suggesting that RMB swap announcements do not mechanically reduce sovereign risk and that markets differentiate responses based on country-specific context.

### COMPARATIVE INTERPRETATION

Figure 3 illustrates how market perceptions changed around the announcement of the RMB swap agreement, Segmented regression technique is used to detect whether a structural break occurs in the trend of CDS spreads around the event date. The regression results with and without controls both show that the swap agreement coincided with an improvement in Saudi Arabia’s perceived credit risk

Amid the current geopolitical paradigm, the Saudi-Australia comparison offers a fundamental insight: markets price

optionality and tail risk alongside operational practicalities.

The divergent CDS responses to structurally similar RMB swap agreements leading to a significant repricing for Saudi Arabia in 2023, while no detectable effect for Australia in 2012, highlight shifts in the perception of market participants.

The swap’s nominal size was immaterial; markets rewarded the diversification signal. Given, CDS spreads price tail risk and not averages even marginal hedges against the tail risk of dollar weaponization is valuable for geopolitically exposed states. Furthermore, the emergence of the effect five days before announcement confirms investor’s strategic interpretation, viewing it as far more than routine liquidity provision.

### MECHANISM IN SAUDI ARABIA

As a geopolitically exposed sovereign, Saudi Arabia faces pressures from rival powers which could politicize its transaction pathways. The monetary environment of 2023 bore little resemblance to the multilateral framework. The freezing of Russia’s reserve assets by G7 nations as a consequence of the Ukraine war, transformed sovereign asset holdings from technocratic instruments into geopolitical liabilities. Sanctions demonstrated swift coordination capacity and extraterritorial reach. Concurrently, US fiscal credibility weakened: debt ratios exceeded 120% of GDP, debt ceiling confrontations became routine, and political polarization intensified. Together, these developments eroded America’s unchallenged financial dominance and heightened the appeal of strategic diversification. Finally, for Saudi Arabia, Biden administration’s initially strained diplomatic relationship with the Saudi Crown Prince might have contributed to the shift in strategic orientation (Holland, Yaakoubi, Dahan, & Renshaw, 2022).

**AUSTRALIA'S COUNTERFACTUAL**

Australia's 2012 RMB swap serves as a clean control, sharing key traits. Both Saudi and Australia are commodity exporters, and both have a tricky relationship with their primary trade partners America and China respectively. However, the absence of any abnormal shift for Australian spreads can primarily be explained due to the zeitgeist of 2012 which was a world of US led multilateralism and where currency diversification served a purely technocratic function without any geopolitical connotations.

**ALTHOUGH DOLLAR CONCENTRATION IS RISKY, DIVERSIFICATION RISKS POLITICAL BACKLASH**

However, in 2017 during his first term, Donald Trump began a retreat from multilateralism by making open and unprecedented condemnations of Russia and China in his National Security Strategy. Wherein, he described China as a strategic competitor instead of a trading partner marking a clear departure from the diplomatic tone utilized by his predecessors. Furthermore, he also targeted Russia for its destabilising activities (Sevastopulo, 2017). The next presidency of Joe Biden continued on a similar antagonistic path towards China (BBC, 2021), leading to the emergence of bi-polar US-China world order.

In this charged political climate dollar diversification served as insurance whereas for Australia it served merely a technocratic function. Therefore, the markets ignored the BCS announcement for Australia in 2012, while they rewarded the BCS announcement for Saudi Arabia in 2023.

**CONCLUSION**

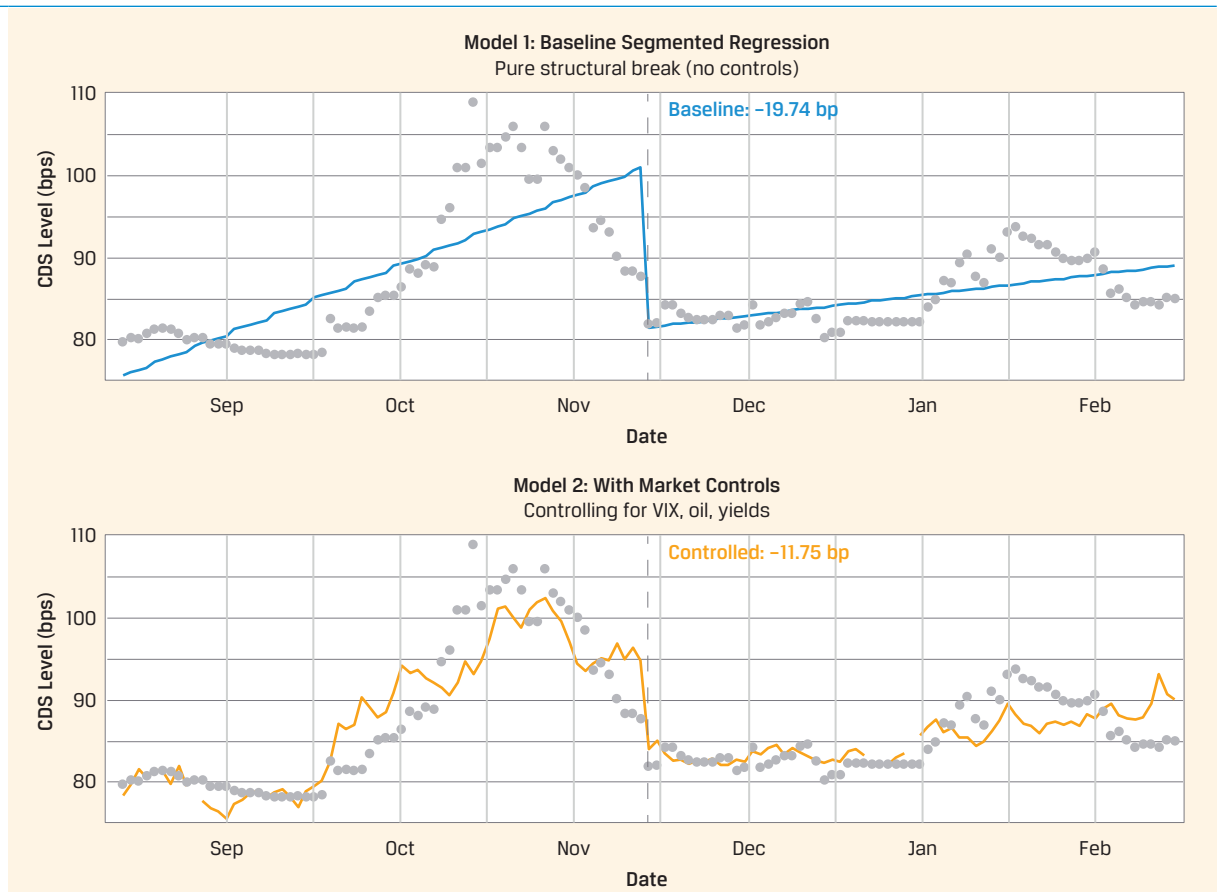
This research shows that RMB swap announcements matter for sovereign risk only when they present a credible geopolitical hedge. Saudi Arabia's 2023 experience demonstrates that markets can and do price monetary diversification under conditions of heightened geopolitical uncertainty. Australia's 2012 non-reaction confirms that such effects are not automatic.

For investors, the key implication is clear: sovereign CDS pricing and risk perception presently embed both fiscal and policy credibility. Additionally, given the influence of tail risks in credit pricing, strategic flexibility is rewarded as risk mitigation delivering tangible payoffs.

**POLICY IMPLICATIONS**

For European policymakers and asset allocators, the implications of the transatlantic geopolitical alignment have become a strategic liability. The liability is especially precarious given America's debt ceiling brinkmanship and erosion of multilateral commitments creating market and political risk to the dollar. This calls for diversification as means for prudent insurance and not abandonment of the transatlantic relationship. As Eichengreen (2025) notes, in a Mars-driven world of conflict, a shift towards

Figure 3 Segmented Regression Results with and without control variables



resilience driven by pecuniary motives (Mercury hypothesis) is inevitable.

However, considering the depth and entrenchment of dollar-denominated capital markets diversification is difficult. Additionally, the renminbi alternative presents equally severe constraints. On one hand Renminbi settlement remains marginal on the other China's capital account restrictions, opaque policymaking, and authoritarian governance model fundamentally conflict with European institutional values and legal traditions. Furthermore, the underlying motivation for Beijing's currency swaps reflects strategic opportunism rather than rules-based reciprocity. This is evidenced by South Korea bypassing its Chiang Mai swap line with China during the 2008 crisis, opting instead for the unconditional \$16.4 billion Fed facility despite acute dollar shortages (Menon & Hill, 2012).

If the neither of the world's two largest economies fail to provide the role of a reserve currency then this gap creates opportunities for a coalition of middle powers committed to similar democratic values to build a reserve currency network as suggested by Mark Carney (Carney, 2026).

## FURTHER RESEARCH

Future research should extend the analysis to additional RMB swap announcements by other sovereigns since Trump's first term, examining whether similar CDS responses emerge across cases.

## DATA AND METHODOLOGY AVAILABILITY

The source code for the model, together with detailed documentation, is available at: <https://github.com/bhatt-keshav/MisalignedCapital>

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### Notes

- 1 Keshav Bhatt works as an investment analyst at Rabobank. His research focuses on the intersection of geopolitics and capital markets, applying computational modelling techniques. This article is written in a personal capacity and reflects his own views.

# Savings and Investments Union Meets Retirement Policy: **The IORP II and PEPP Reset**

*Jorik van Zanden en Tjitsger Hulshoff<sup>1</sup>*

In a bold move to bolster financial security for future retirees and boosting financial markets, the European Commission has proposed a new package of measures aimed at strengthening supplementary pensions across the bloc. In this article, we explore the proposed measures of the EU and the reason for interfering in the area of pensions.

In November 2025, the European Commission published<sup>2</sup> a review package of the Occupational Retirement Provision (IORP II) and Pan-European Personal Pension Product (PEPP) frameworks. It was published alongside a recommendation encouraging Member States to adopt systems of automatic enrolment into pension plans, similar to those in place in, for example, the UK. The package aims to modernise the framework, promote market-driven consolidation into larger structures such as master trusts, PPI's or industry-wide schemes, reduce administrative and management expenses, and enhance outcomes for pension plan members. All while preserving national competences, the autonomy of social partners, and the diversity of pension systems across the EU.

As pensions remain, to a large extent, a Member State competence, the proposed changes are formulated primarily as guidance rather than as binding, rule-based measures. The package forms

part of the Savings and Investments Union strategy and seeks to channel long-term savings toward the real economy, including equity and alternative investments, to support growth, innovation, and the green transition.

## **WHAT PROBLEM DOES THE EUROPEAN COMMISSION SEEK TO SOLVE?**

The overarching objectives of the European Union are extensive, interconnected, and at times paradoxical. The EU is mandated to shield its citizenry from systemic threats, ranging from climate volatility to geopolitical instability, while simultaneously fostering the free movement of services and bolstering economic competitiveness against global superpowers.<sup>3</sup> This tension between social protectionism and market liberalization creates a complex policy landscape. One area in which this becomes apparent is that of pension regulations.

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Tjitsger Hulshoff RBA



The recent proposals to review the Institutions for the IORP II directive and the PEPP regulation must be viewed through this prism of competing priorities. These regulatory updates are not merely administrative housekeeping, but can be viewed as strategic maneuvers designed to address two looming structural crises: a demographic cliff and a capital allocation inefficiency.

First and foremost, European policymakers are grappling with the fiscal sustainability and adequacy of pension systems in the face of a “double-aging” population. This demographic shift is characterized by two concurrent trends. Increasing longevity and declining fertility: Life expectancy continues to rise, extending the payout period for pension liabilities, while birth rates remain below replacement levels in many member states, shrinking the future workforce (Milijić, 2025). This results in a deteriorating dependency ratio, where the fiscal burden of economic production and social transfer payments shifts from a broad base of active workers to a contracting cohort.

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### THE TENSION BETWEEN SOCIAL PROTECTIONISM AND MARKET LIBERALIZATION CREATES A COMPLEX POLICY LANDSCAPE, AS BECOMES APPARENT IN PENSION REGULATIONS

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Furthermore, the European Union currently is currently facing a structural inefficiency in capital allocation (Draghi, 2024 and Letta, 2024). Culturally, European households exhibit higher savings rates than their transatlantic counterparts. This implies that a disproportionate volume of this wealth is held in low-yielding bank deposits and cash equivalents rather than being deployed into productive assets (ESB, 2025). This creates a “paradox of thrift”: ample household liquidity but a scarcity of risk capital (European Commission 2024).

The review of the IORP and PEPP can be seen as having both a social and financial character. Pension policy is traditionally a Member State competence, with Union involvement primarily at the coordinative level. The EU has a broad range of legislative instruments for the internal market, of which pensions are a part. Both the IORP and the PEPP are based on Article 114 of the Treaty on the Functioning of the European Union, which grants the EU competence to regulate the internal market (Van Meerten, 2012).

### WHY ARE CURRENT POLICIES INSUFFICIENT?

The current IORP II Directive<sup>4</sup> stems from 2016. A review of the occupational pension strategy was needed as was demonstrated by the European Court of Auditors in a 2025 audit, which provided a sobering post-mortem of the directive’s effectiveness (ECA, 2025).

The audit assessed the effectiveness of actions by the European Commission and the European Insurance and Occupational Pensions Authority (EIOPA) in promoting supplementary pensions. The report highlights several key shortcomings in the development of occupational pensions across the EU, mainly the participation gap and the sub optimal scale. The participation gap means that the coverage of occupational pensions is stalled at 20%, exacerbated by a demographic “perfect storm.” With the old-age dependency ratio projected to hit 59% by 2070 and the labour force shrinking by 14%, current replacement rates (often via pay-as-you-go mechanisms) are unsustainable. The sub-optimal scale comes, in part, from a highly fragmented supply side; 80% of IORPs manage less than 1 billion EUR.

As noted earlier, in addition to the issue of pension adequacy, the IORP framework was also intended to address access to capital markets. However, the market for occupational pensions remains largely dominated by a few countries, including the Netherlands and Denmark. When comparing European saving rates with those in the United States, a persistent gap is evident (ESB, 2025) as Americans invest much more per capita than Europeans. This gap cannot be attributed to limited access to capital markets as such, but rather to a combination of cultural factors and the availability of suitable savings vehicles, including occupational pensions.

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### THE REVIEW MUST BE SEEN AS BOTH A SOCIAL AND FINANCIAL PLAY

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In the United States, a significant share of capital market depth is derived from retirement-related savings, notably through occupational and individual arrangements such as 401(k) plans and (Roth) IRA structures, accounting to a whopping 48.1 trillion in USD at the end of 2025 (ICI, 2026). In comparison to the entire capital markets of the EU, which stand at 33 trillion EUR, retirement investments alone are 45% higher in the US (EFAMA 2025) while the European Union has more inhabitants than the US.

The European occupational pension sector remains small and fragmented. A consequence of a more developed occupational pension sector in Europe would be increased and more stable long-term investment flows, contributing to deeper liquidity in European capital markets. This linkage between pension system design and capital market development is acknowledged by senior European policymakers, although with some caution not to mix up regulatory objectives.

## HOW DOES THE EUROPEAN COMMISSION SEEK TO SOLVE THE PROBLEM UNDER THE REVIEW?

The European Commission has included several measures in its review to address both affordability and to activate & mobilise capital towards the financial markets.

First, the proposal aims to address market integration and modernization. In parallel, timelines are streamlined to reduce the regulatory friction currently stifling cross-border operations. The Netherlands has been one of the few countries to actively increase the requirements for cross-border value transfers over national transfers which hampers the ability to, for example, make use of the so called ‘Belgium route’, in which a Belgian IORP administers a Dutch scheme. These transfers are subject to scheme member approval. The Netherlands currently requires a 2/3<sup>rd</sup> approval rate, but under the proposed review only a simple majority is allowed. Of course, it remains doubtful that removing such barriers will have a large impact on cross-border value transfers, as even with for example the Belgium route a new pension scheme can be set up without the movement of assets.

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### THE IORP II DIRECTIVE HAS NOT LED TO ITS GOALS

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Second, article 19 of the proposed IORP directive shifts the prudent person principle toward a more principles-based approach. It limits the use of detailed investment rules to schemes where members and beneficiaries bear investment risk, and prevents blanket restrictions on asset classes, while preserving the ability of competent authorities to impose proportionate restrictions in such cases. This means that countries have less room to quantitatively restrict investments, which may lead to more suitable and complex investment solutions. Furthermore, it may allow for easier access to illiquid asset classes such as infrastructure, private equity and private debt (Pensioenfederatie, 2026).

Third, the EC introduces a proposal to make the depositary a mandatory part of the operating governance of defined contribution IORP’s, responsible for both safekeeping and oversight. As such, the EC seeks to grant the consumer a level of protection comparable to that provided in the case of investment funds.

#### PERFORMANCE BENCHMARKS

Article 41a of the proposal requires national competent authorities to set performance benchmarks for IORPs, but it does not define what constitutes a benchmark. This could imply comparison either to market indices or to peer performance. The use of peer benchmarks has been successful in the Australian context, where the Australian Prudential Regulation Authority (APRA) benchmarks each pension fund and makes the comparison

available on its website.<sup>5</sup> The Pensioenfederatie (Dutch Pension Federation) remains opposed to the use of such benchmarks, arguing that differences in the composition of age cohorts may affect the credibility of comparisons. Although this concern may be valid to some extent, performance remains highly relevant in pension schemes where the risks and benefits of pension assets translate directly into the pension accounts of individual participants. The proposal by the Pensioenfederatie that schemes should establish their own benchmark would therefore create a situation in which “the butcher would rate its own meat.”

#### AUTO-ENROLMENT

Alongside the IORP II Review, the Commission issued a Recommendation on pension tracking systems, pension dashboards and auto-enrolment. Auto-enrolment is the system that automatically enrolls individuals into a supplementary pension scheme, typically occupational or personal, while allowing them the personal choice to opt out. It aims to increase participation where voluntary uptake is limited. Evidence from (former) EU Member States, with the UK being the most prominent case, shows that participation rises significantly under such systems, as many individuals remain enrolled by default.

Despite being regarded as a developed pension system, the Netherlands has a coverage gap of around 10 percent of employees. Participation in occupational pensions is organised through sectoral schemes with compulsory participation at sector level, but employees outside these sectors are not covered, and employers are not required to offer a pension provision. Although policymakers have expressed the intention to increase coverage, no formal measures have yet been introduced.

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### THE BASIC PEPP WILL BECOME SUITABLE BY DESIGN

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The recommendation to introduce auto-enrolment may thus have more impact than one might think at first glance, especially when combined with the last part of the review, the PEPP. Admittedly, introducing a requirement to offer a pension by all employers and for all employees may prove to be an administrative burden, especially for very small companies. But one could learn from the Belgian or UK example, namely the Individual Pension, which is offered *via* the employer instead of *by* the employer. In essence, it comprises a personal pension product held with a provider of choice, with the requirement for employers to direct a certain percentage of income towards that account.

#### PEPP

The Proposal for a Regulation COM/2025/840 final<sup>6</sup> represents a targeted, yet substantial, legislative intervention predicated on the diagnosis that the initial PEPP framework failed to achieve its envisaged market penetration and cross-border commercial success.

As Van Meerten and Hulshoff [2022] have explored in depth, the PEPP offers considerable structural opportunities on the supply side. It draws a deliberate distinction between the PEPP Provider and the PEPP Product itself, enables a cross-border license from a single Home State, imposes standardized communication requirements, and allows for collective distribution through mechanisms such as the PEPP Savings Association. These features effectively grant PEPP Providers – ranging from investment firms and credit institutions to insurers and certain IORPs – EU-wide access to the pension market. At the same time, the framework embeds robust consumer protection measures, including mandatory transparency, risk mitigation rules, member suitability testing, and, most notably, a strict fee cap of 1% of assets per annum for the Basic PEPP. The PEPP is structured as a personal pension product, but its implementation is designed to allow for implementation as a corporate pension scheme. As such it offers corporate employers policy freedom to embed pension in the total remuneration framework, as contribution to the PEPP is voluntary. For employees, it offers a quality-stamped pension product with freedom to choose contribution and the decumulation phase.

Despite this, and despite the interest in PEPP from the demand side (mostly multinational corporations and cross border collectives), the uptake from the supply side has been lacklustre. Part of the reason is the current lack of EU wide operational platforms, and the divergence in labour and tax law across the various EU member states. But one of the main, and more vocal reasons, is the fee cap of 1%. Where The Netherlands demonstrates in the Personal Pension Product (PPP) market that a fee of 0.5% is commonplace (and far lower prices are charged for larger collectives and higher AUM), this is not the case in other EU member states. The Netherlands stands out in the EU, following its ban on commission and the resulting incentive for providers to fiercely compete on fees. In contrast, many other Member States continue to rely on commission-based distribution models that require greater fee headroom to accommodate intermediary remuneration.

The European Commission tackles these challenges in its proposed review. It relaxes certain rules and accommodates the supply side offering PEPP products more easily, while maintaining the core principles and maintaining the intended market dynamics of cross-border competition in an EU wide pension market.

Key adjustments in the 2025 review include the complete removal of the 1% fee cap. In its place, the Commission introduces a more principles-based Value for Money framework, which will be fleshed out through forthcoming supervisory guidance from EIOPA and appropriate national oversight mechanisms. This shift is designed to restore commercial breathing space for providers – allowing them to invest in product quality and distribution infrastructure, and to compete without risking the existing book of business.

The Advanced PEPP is restructured and rebranded as the Tailored PEPP, which continues to function as an optional, higher-flexibility add-on to the core Basic PEPP. A significant relaxation occurs here: the previously mandatory risk-mitigation techniques (including lifecycle de-risking) are lifted for the Tailored variant, giving providers greater freedom to re-use existing products as a tailored PEPP.

On the default investment side, the proposal now expressly endorses lifecycle investment strategies as the appropriate default option, thereby removing all doubt for providers in markets that have not been familiar with this investment approach.

Advice obligations have been carefully streamlined to strike a more pragmatic balance. For the Basic PEPP – constructed with standardised features and investment safeguards – the product is now deemed suitable by design; individual member-specific advice is no longer required. By contrast, the Tailored PEPP, with its greater degree of customisation, retains the obligation to provide appropriate advice, ensuring that more complex choices remain accompanied by suitable guidance (which may, importantly, also be delivered digitally).

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### EU APPROACH IS COINED AS "RULES FIRST, MARKETS WILL FOLLOW"

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Distribution rules are meaningfully widened: the proposal explicitly authorises the use of PEPP in workplace settings and signals its potential role as a compliant vehicle within auto-enrolment schemes. This change opens the door for employers to facilitate supplementary retirement saving without the need to establish bespoke occupational arrangements and without the restrictions that apply to participants in occupation pension schemes. An example of the latter is noticeable in The Netherlands, where in the occupational pension system, the pension contribution is mandatory for every consumer, and consumers are required to purchase a lifelong annuity at retirement, while fiscal boundaries remain equal for occupational and personal pensions alike.

Finally, although direct tax competence remains firmly at national level, Member States are placed under a clear obligation to grant PEPPs tax treatment that is at least comparable to that accorded to equivalent domestic personal pension products. This requirement is intended to dismantle one of the most persistent structural barriers to genuine cross-border portability.

Taken together, these carefully calibrated refinements represent a pragmatic recalibration of the PEPP regime. By easing supply-side constraints, sharpening competitive incentives, and reinforcing the product's practical usability, especially in workplace and auto-enrolment contexts, the proposal seeks to revive the PEPP as a genuine, scalable cornerstone of the Savings and Investments

Union. The ultimate ambition remains unchanged: to mobilise more long-term household savings into productive capital market channels while delivering measurably improved retirement outcomes for European citizens across the Union.

### DOES THE PROPOSAL ADDRESS THE PROBLEM?

Where the Anglo-Saxon approach is often best described as “markets first, rules later”, the EU approach is characterised as “rules first, markets will follow”. The proposal for the pension revision takes exactly this route. Proposed measures are focused on unlocking the demand that underlies the pension gap and the ageing population via transparency for the consumer (pension register) and auto enrolment. At the same time the proposal introduces measures to stimulate supply, including simplified prudent person rules and boost competition through performance testing and mandatory depositary rules. All of this is accompanied by strong consumer protection via duty of care regulation.

If EU law were a chess game, the Commission is executing a calculated middlegame manoeuvre – deliberately positioning its regulatory pieces for the endgame. That endgame is clear: a true single market in which every European citizen can shop for a suitable pension product from any authorised provider across the Union, and every provider, regardless of its home Member State, can offer its solutions to every citizen without artificial barriers.

Reasoning backwards from that vision, the package constructs the necessary conditions for this: a balanced equilibrium between supply and demand – more supply unlocked through a revitalised PEPP with relaxed constraints, workplace usability, and stronger sell-side incentives; more demand mobilised via pension registers to ensure full transparency, auto-enrolment to overcome inertia, and other measures that widen the participant base.

Genuine accountability to participants is embedded, alongside robust consumer protection and – crucially – performance as a non-negotiable necessity. Transparency will drive informed choices: consumers empowered to select the best product, and Member States better equipped to close the pension gap through auto-enrolment or equivalent mechanisms. The PEPP, in this construct, emerges as the UCITS of pensions, a standardised, portable, EU-wide vehicle capable of scaling rapidly once barriers fall. The result is a set of incentives that effectively replicate those of an open market: perform or disappear.

We expect that consolidation will follow naturally, as will new value-adding business models for advisors, shifting from pure distribution to genuine advice around total remuneration, pension budgeting and intelligent nudging. Pensions will remain a basic provision, yet become far more: an open-finance gateway to long-term wealth building.

Will it be successful? The vision is highly feasible; the speed of realisation will depend on the pace at which local markets shift entrenched practices. Auto-enrolment will likely act as the decisive accelerator. What is deliberately not imposed is a hard ban on commissions. Instead, the proposal trusts the new rules, radical transparency and the anticipated influx of foreign asset managers and providers to deliver genuine fee competition and higher consumer protection. The knee-jerk reaction in parts of the Dutch market, namely that greater transparency and commercial EU-wide competition somehow threatens the mandatory nature of Dutch IORPs, misses the point: it is far more likely to raise the quality bar for everyone.

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### IF THERE EVER WAS A TIME FOR THE DUTCH PENSIONS AND ASSET-MANAGEMENT SECTOR TO GROW CONFIDENTLY BEYOND ITS OWN BORDERS, THAT TIME IS NOW

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For the industry and for asset management the message is equally stark: pension provision is asset management. Solvency metrics and annual contribution matter far less than scale, AUM growth and sustainable margins. Size and scale will dominate. The PEPP, once fully operational, will be the UCITS of the pension world. In practice the 2025 changes are largely clarifications rather than revolutionary breakthroughs, yet the perceptual shift is enormous: explicit workplace distribution, Basic PEPP suitable by design without the need for individual advice, and a clear signal that sell-side innovation is not only welcome but expected.

The Netherlands, remarkably, already lives many of these principles. It has a fully functioning pension register with >90% usage in its target population. It has proven asset-separation regimes with commercial providers, similar to the depositary. It runs principle-based prudent-person rule that permits broad, sophisticated portfolios. It has a market with PPP products that serve as the natural blueprint for the modernised PEPP and are as close a fit to PEPP as it gets. The PPI vehicle, introduced in 2011, has delivered an unprecedented cost compression, from 1.2% to 0.4% and below within a year, and created a vibrant market for corporate schemes outside sectoral mandatory funds.

The devil, as always, will be in the details – the precise calibration of “Value for Money”, the granularity of cost transparency, the practical interplay with national tax and labour rules. Yet the direction of travel is unmistakable and in line with the Dutch market practice. If there ever was a time for the Dutch pensions and asset-management sector to grow confidently beyond its own borders, that time is now.

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## Notes

- 1 Both authors publish on personal account.
- 2 European Commission (2025).
- 3 See Article 3 of the Treaty on European Union.
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# Gender Equality, Governance & Geopolitics – Need Rule of Law

Amlan Roy

We are amidst historically unprecedented times in terms of geo-economics, geopolitics and governance – all of which influence the conditions within which economic activity and investments take place. I combine three topics – Gender Inequality, poor Governance standard and Geopolitical Risks, all contributing to lowering GDP growth, increasing debt and inequality and unfavourably affecting investment returns. The Rule of Law and a fair legal system for all is a necessary anchor for practice of gender equality, good governance and lowering geopolitical risks.

Gender inequality keeps GDP growth lower than potential, leads to higher debt and leads to pensions gaps between gender. Good governance is a must for efficiencies in economics and investments while furthering proper norms and equity. Geopolitical risks create instability and negative impacts on economic variables and asset prices. Solid and accessible legal systems help provide the backbone which will promote gender equality, good governance standards and counter geopolitical risks.

the first to advocate women suffrage. He suggested standards for relationship between authority and liberty. He raised legitimate objections to government intervention. Public Economics theory cites John Rawls for his theories of justice as fairness. His theory recommended equal basic liberties, equality of opportunity and access to maximum benefits for the disadvantaged members of

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## LAWFULNESS IS CRITICAL TO GENDER EQUALITY, GOVERNANCE & GEOPOLITICAL RISK MANAGEMENT

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Since this is a special issue on Rule of Law, it is important to think about fairness and income distributions. Figure 1 below shows working age poverty across regions of the world measured as the proportion of employed persons (not population) living in households below international poverty lines (USD3 PPP). The inequality between low-income regions and the world or high-income countries is evident.

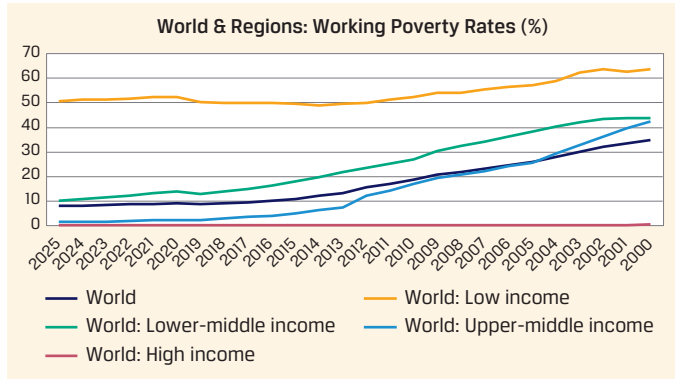
While most remember Adam Smith for the “Wealth of Nations (1776)” the book which laid out the principles of Capitalism, Smith’s earlier book “Theory of Moral Sentiments (1759)” is about philosophy, fairness and ethics. Smith examined the foundations of ethical behaviour, the limits of human moral capacity, and how self-interest paradoxically serves society’s broader good. John Stuart Mill, a prominent philosopher and political economist of the 19th century, moderated his free markets view based on the equality of taxes and *failure of social arrangements* to prevent poverty. Mill was a proponent of individuality and one of

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Figure 1  
World Regions: working poverty rates



society. Rawls influenced Nobel laureate Amartya Sen to guide microeconomics and public economics disciplines to incorporate notions of welfare and inequality. Sen defined welfare and poverty indices and studied famines focusing on distributional issues. Public economics as a discipline has been guided by the notion of fairness and justice.

**GENDER EQUALITY**

Mitigating gender inequality can lead to a fairer and more sustainable (commensurate with SDGs) growing world as shown in the report cited below which conducts using panel data econometric analysis based on data from 143 countries. Furthering gender equality generates four golden dividends: increased GDP growth, lower public debt to GDP, lower income inequality and increased sustainability.

**GENDER EQUALITY & LABOUR PARTICIPATION**

Figure 2 illustrates that the gap between male and female labour force participation is huge. Lack of equal access to opportunities in labour, education and finance inhibits full potential use of the combined talent of women. This IMF note finds that greater inclusion of women as users, providers, and regulators of financial services would have greater benefits transcending those addressing gender inequality.

Figure 2  
Gender Differences in Labour Force Participation Rates (%)

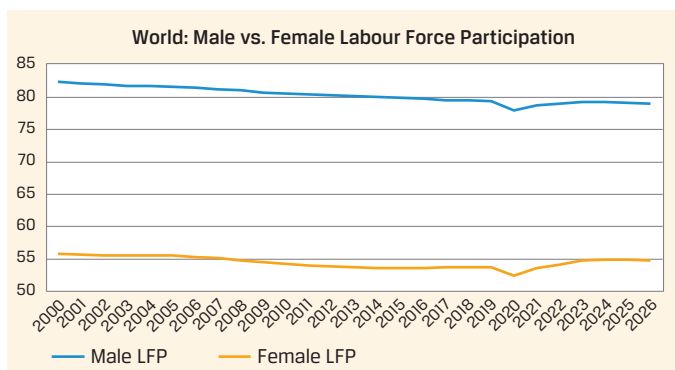


Table 1  
Gender Wage Gap (% of male wages)

Country	2005	2010	2015	2020	2023
Canada	21.3	20.2	18.7	17.6	16.1
Denmark	10.2	8.9	5.8	5.0	5.4
France		9.1			6.2
Germany	16.8	16.7	15.8	12.1	14.2
Italy		5.6			4.1
Japan	32.8	28.7	25.7	22.5	22.0
Netherlands		17.9			6.1
Norway	8.6	7.2	7.0	4.8	4.5
Sweden	11.3	9.4	8.3	7.4	7.3
UK	22.1	19.2	17.1	12.0	13.3
US	19.0	18.8	18.9	17.7	16.4
EU27	14.1	12.1	10.9	8.9	9.0

Source OECD

Narrowing the gender gap would foster greater stability in the banking system and enhance economic growth. Gender Equality is an imperative alongside few other policy measures for advanced ageing countries.

**GENDER WAGE GAP**

Another indicator of gender inequality can be expressed with the wage gap as a percentage of median male earnings. Table 1 shows gender wage inequality in selected countries and the EU27. The data indicates progress over the last two decades. It is essential to have rule of law to implement gender equality on wages.

**GENDER GAP IN MANAGEMENT**

Corporate policy attention is on demonstrating progress regarding the proportion of women in management. Table 2 below indicates there has been progress but more catch up needed in countries like Japan vs. Sweden.

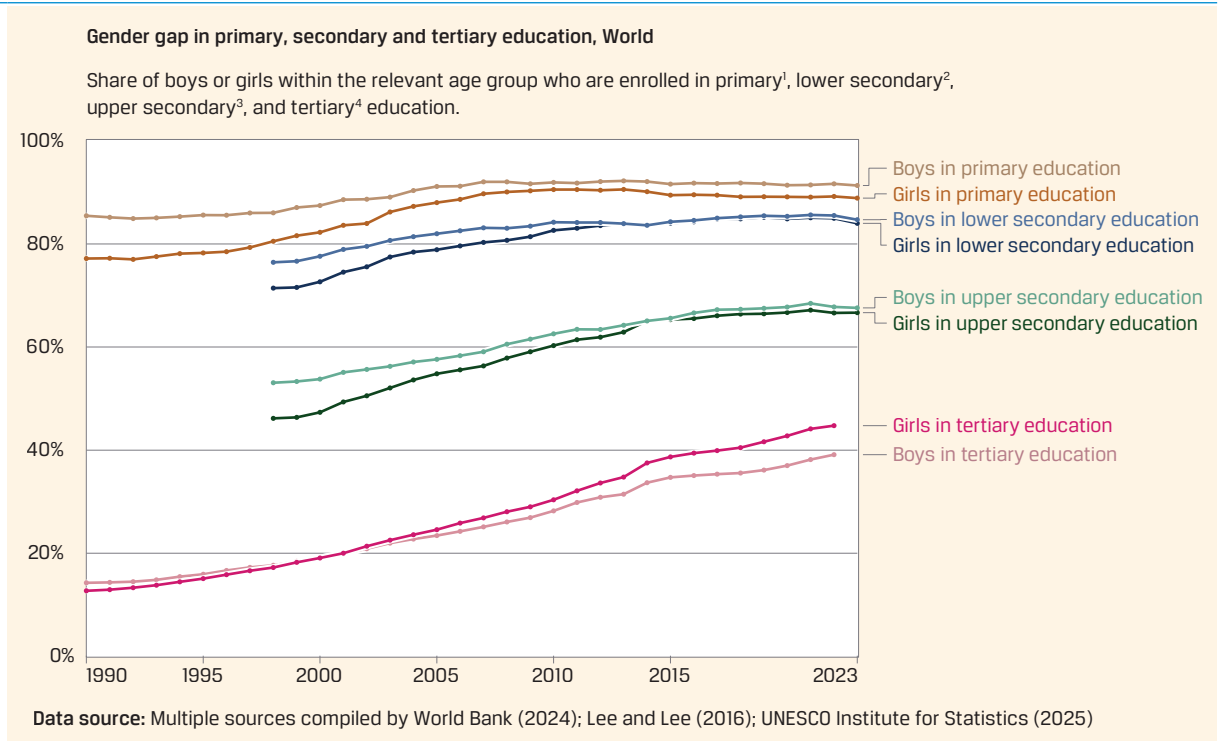
Note that this indicator is part of the UN’s Sustainable Development Goals monitoring indicators for gender equality. As per the European Institute of Gender Equality, women need to work 27.5 months to earn what men make in a year.

Table 2  
Woman in Management

Year	World	G20	EU27	Japan	US	Sweden	Norway	Netherlands
2015	26.9	26.2	31.9	12.0	39.6	39.5	36.6	25.2
2020	27.8	27.2	34.1	13.1	41.1	42.3	34.2	24.8
2024	30.3	30.1	34.9	16.3	42.9	44.4	34.3	29.3
2025	30.5	30.3	35.0	14.4	42.7			

Source: ILOStat

Figure 3  
Gender gaps in  
Education (World)



**GENDER DIFFERENCES IN EDUCATION**

As per the UNESCO institute for Statistics “women still account for nearly two-thirds of the 765 million adults without basic literacy skills. Poverty, geographical isolation, minority status, disability, early marriage and pregnancy, gender-based violence, and traditional attitudes about the status and role of women and men, are among the many obstacles that prevent children and youth from fulfilling their right to participate in, complete and benefit from education. As of 2023, globally 272 million children and youth are out of school, of which 78 million were of primary school age, 64 million of lower secondary school age and 130 million of upper secondary school age.

As shown in Figure 3, there exists a gap in educational enrolment between men and women. The encouraging trend is that male and female enrolment rates are converging, but it masks regional disparities as well as differences across primary, secondary and tertiary education levels. The Pew Research Center in the US also states that US women college undergraduates outnumber their counterpart US men.

The World Bank states “Girls’ education goes beyond getting girls into school. It is also about ensuring that girls learn and feel safe while in school; have the opportunity to complete all levels of education, acquiring the knowledge and skills to compete in the labour market; gain socio-emotional and life skills necessary to navigate and adapt to a changing world; make decisions about their own lives; and contribute to their communities and the world.” The legal system needs to support equality for women at all levels of education and work. The UNESCO Strategy For Gender Equality In and Through Education (2019-2025) focuses on a system-wide transformation to benefit all learners equally in three key areas: (i) better data to inform action (ii) better legal and

policy frameworks to advance rights and (iii) better teaching and learning practices to empower.

Women outlive men in general across all countries and if they are given equal access to finance, education and work, they would have accumulated a better sum of savings at retirement age.

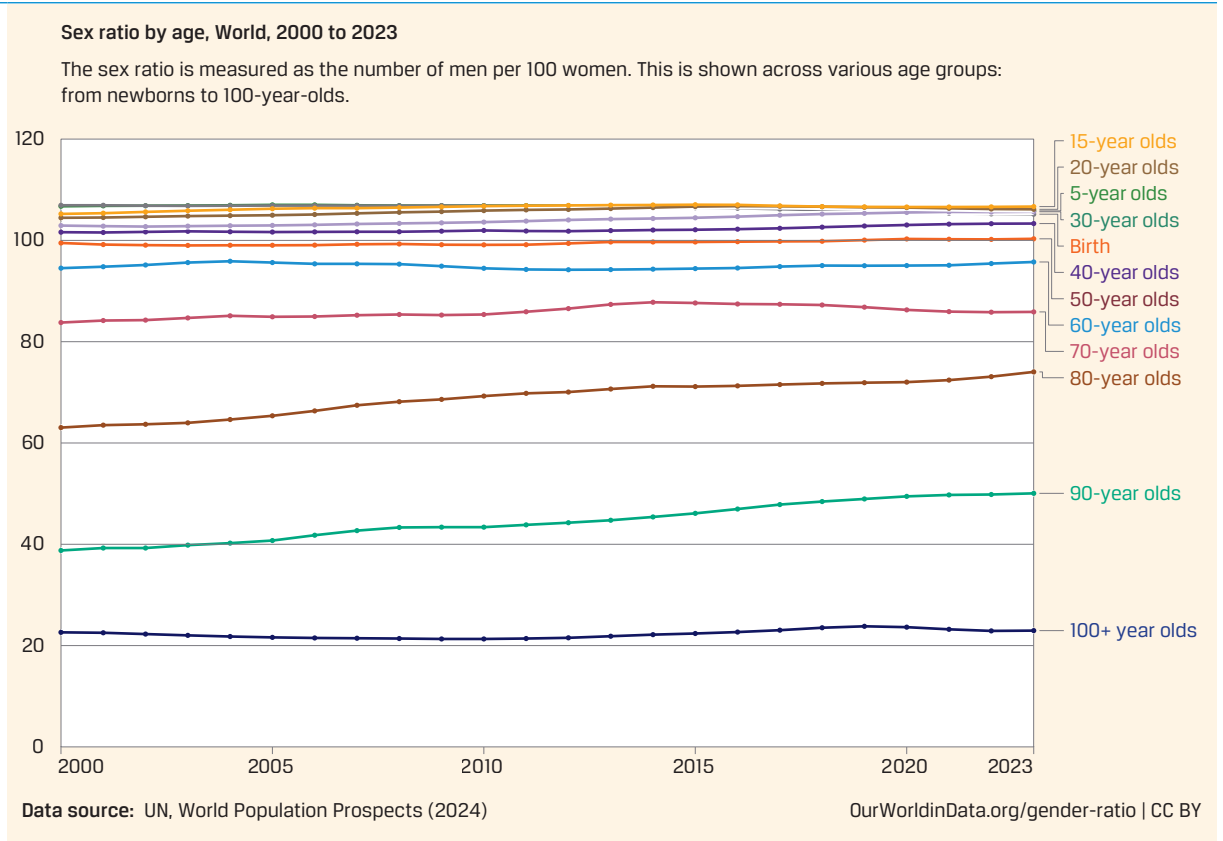
**THE GENDER SEX RATIO**

The sex ratio at birth is very much in favour of men with numbers of 100+ males per 100 females, but as life goes on the women outlive men in general, not only in the rich advanced countries but also in many of the poorest countries. In the poorest of countries, women encounter many disadvantages relative to men right from birth in terms of access to health, education, nutrition, jobs. Figure 4 illustrates the evolution of sex ratio over age.

As depicted in Figure 4, the sex ratios at birth and in childhood are higher than 100, meaning there are more boys than girls at these ages (“male bias”), in almost every country. At ages 15 and 20, the sex ratio is still higher than 100. The ratio at a global level is affected by the male bias in birth ratios and the impact of the most populated countries, such as China and India, which have very skewed sex ratios. The sex ratio declines over the working age range. In 2021, among 50-year-olds the ratio was close to 100. Among 70-year-olds, there were only 86 men per 100 women. In the very oldest age bracket, people aged 100 and older, there were only 24 men per 100 women.

The current fertility rate decisions of women based on the cost of childbearing (both monetary and time) as well as other factors are leading to lower number of births as reflected in the decreasing

Figure 4  
Sex ratio by age,  
World, 2000 to 2023

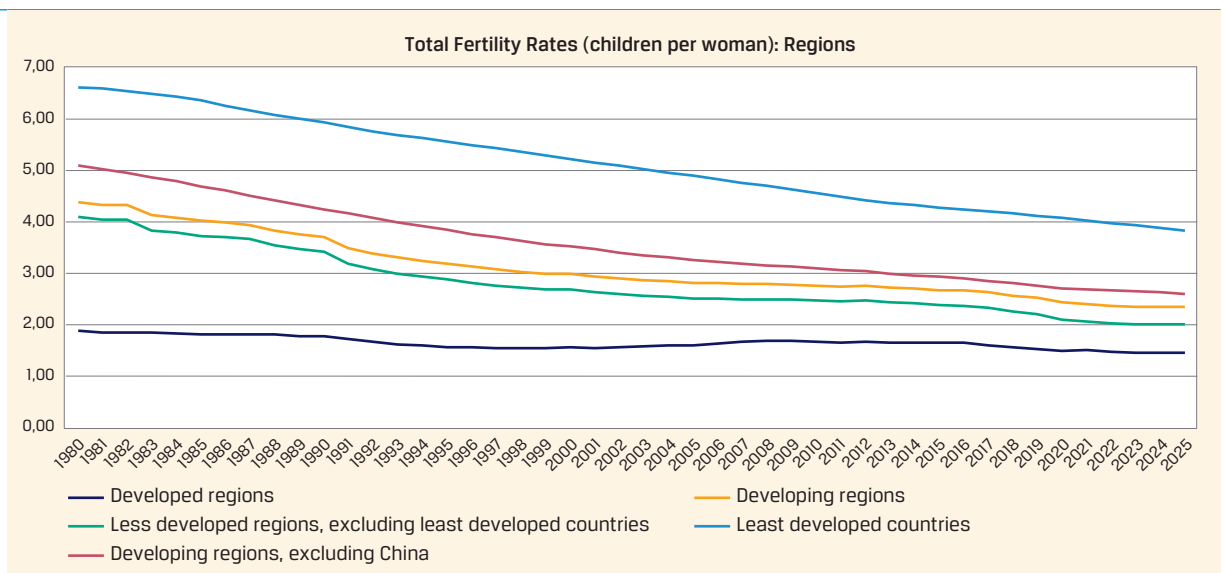


Total Fertility Rates (TFR). Childbearing and old age care burdens are largely borne by females too. Women should be afforded the choice to work commensurate with their ability and qualifications. This lack of equality is having a deleterious effect globally on the number of child births as well as fertility rates due to higher costs of raising children. To allow women to better balance work life with family, labour markets need to be flexible and use the skills of women throughout their working careers.

Protection of rights of women at all stages from childhood, motherhood and later, and until death through law and legal structures and is a fundamental need of society. Legal and financial access is not equal for women as the IMF has shown in many reports.

As in Figure 5, the TFRs show a stronger downtrend than the breakeven of 2.1 children per woman. Fertility and birth rate declines are nearly universal, even more dramatic across the poorer regions. Lower birth rates and fertility rates affect

Figure 5  
Total Fertility rates  
(children per  
woman): Regions



the future working age population growth (one of the demographic components of GDP growth in national accounting). This portends to be bad for the future GDP growth after a lag of 20 years when babies born today potentially enter the work force.

In summary, Gender Equality is a much-needed imperative for countries and societies as it is leading towards lower population growth, decreasing GDP growth, higher public debt, potentially higher inflation. It requires support from legal infrastructure to be successful.

**GENDER PENSIONS GAP (GPG)**

The 2025 edition of OECD’s Pensions at a Glance opens the chapter by stating that “Pension differences between men and women largely reflect and add up to gender disparities in the labour market and the disproportionate burden of unpaid care responsibilities faced by women. The higher longevity of women and the gender pension gaps (GPG) combine into higher women’s old-age poverty risks”. Their key findings are as follows:

- Women receive monthly pensions that are about one-quarter lower than men’s on average across OECD countries, ranging from less than 10% lower to even 47% lower.
- The large average gender pension gap (GPG) across OECD countries has declined from 28% in 2007 to 23% in 2024
- Gender differences in the expected career duration, hours worked and hourly wages between men and women make a similar contribution to the large gender gaps in expected lifetime earnings averaging 35% across OECD countries in 2023.
- At 34 years, the expected career duration for women was almost 6 years (or 15%) shorter than for men on average in the OECD in 2023.

Figure 6 below shows the decrease in the Gender Pensions Gap (GPG). A GPG has declined largely as a result of declining labour market differences between men and women.

As part of the Human Rights literature, women need to be accorded equal rights relative to men in every aspect. The establishment of laws, policies, and institutions ensure that people of all genders have equal rights, opportunities, and protections in society. Continued progress in the area of gender equality requires proper application of jurisprudence (theory of the philosophy of law which explores what law is, how it functions, and its relationship with society, ethics, and justice).

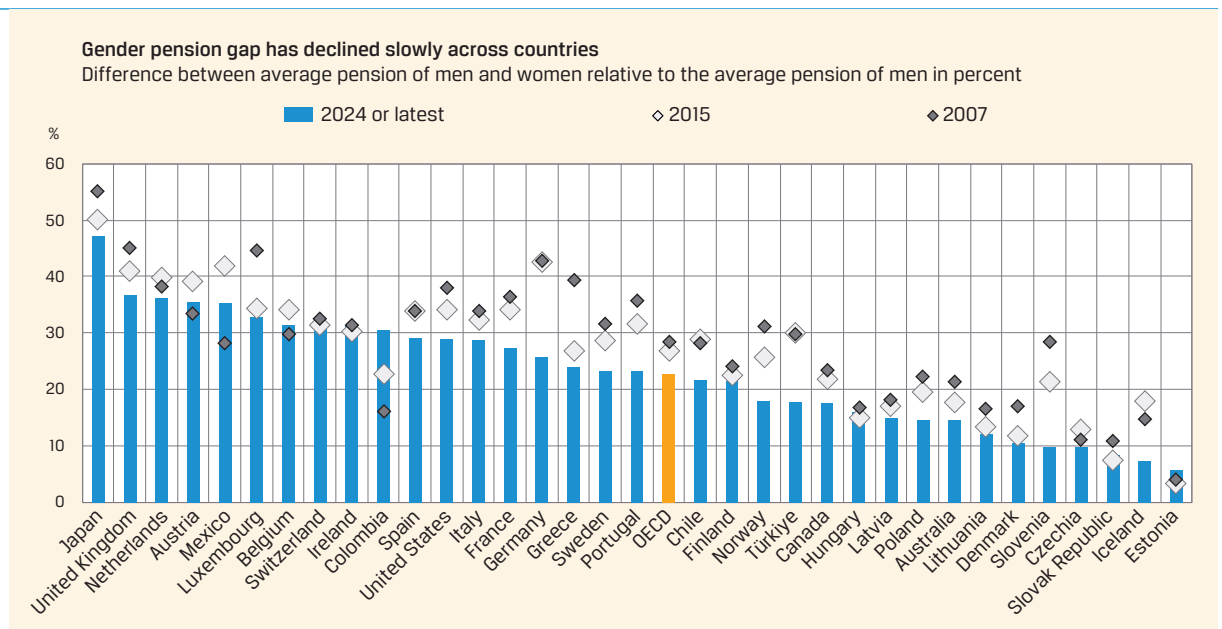
**GOVERNANCE (CORPORATE & NATIONAL)**

Technically, governance refers to the proper and efficient management of organisations and institutions, in both the private sector and the public sector. However, oftentimes as it is public money that is being deployed, lack of safeguards and risk management towards efficiency, other perverse motives including bribes, corruption and ethical issues lead to less than desired outcomes for the citizens.

In terms of the history of capitalism, different forms exist and actually as per Martin Wolf (2023) democratic capitalism is currently in a crisis. He asserts that political failings have undermined trust in liberal democracy and in the very notion of truth. He says “around the world, democratic capitalism, which depends on the determined separation of power from wealth, is in crisis”. Wolf however believes that capitalism still remains the best system for the world.

Randal Morck and Lloyd Steier (2005) outline and discuss the evolution of several types of capitalism in different countries and the governance differences. They compare different forms of capitalism including shareholder capitalism (as in the US and the UK), the more popular family capitalism elsewhere, bank capitalism and state capitalism. The history of different countries, their political system and organisation of industry all determined why different countries follow different paths to different forms of capitalism. The authors suggest that financial disasters,

Figure 6  
Gender Pensions Gap



Source: OECD Pensions at a Glance (2025)

ideology, families, institutions, business groups, legal system and laws all matter in explaining these differences across the systems they studied. They examine the history of corporate governance in Canada, France, Germany, Italy, Japan, UK and the US, Netherlands, Sweden, India and China. They found that the common theme across all countries was existence of *corporate insiders modifying the rules to minimize chances of becoming outsiders*.

Nobel laureates Daron Acemoglu, Simon Johnson and James Robinson (2001) use the different mortality rates of European colonialists to estimate the effect of institutions on economic performance. They state that “In places where mortality rates were high, they did not settle but set up extractive institutions that exist to the present day. By exploring the different mortality rates faced by soldiers, bishops and sailors in the colonies in the 17th, 18th and 19th centuries, they were able to estimate the long-term effect of colonial institutions on per capita income.

In an accounting framework, the principles that underly corporate governance are accountability, transparency, fairness, responsibility, risk management and impartiality. The World Bank evaluates global public governance across 200 countries stating that their research shows that inclusive and accountable institutions support higher economic growth, stronger public services and expanded opportunities.

The World Bank World Governance Indicators (WGI) summarise six governance dimensions of governance in each country (i) Voice and Accountability (ii) Political Stability (iii) Government Effectiveness (iv), Regulatory Quality (v) Rule of Law and (vi) Control of Corruption. The indicators draw on 35 data sources, including household and firm surveys, and expert assessments from multilateral organizations, nongovernmental organizations, academic institutions and commercial data providers. Table 3 shows scores for the six indicators in terms of progress over 2015 to 2024 for the G6 advanced developed countries which include France, Germany, Italy, Japan, UK and US. The data indicates mild regression albeit from high 2015 scores.

In addition to the World Bank, Transparency International has also been a well-reputed source for cross-country corruption perception scores. They rank 82 countries and their vision is to fight for social and economic justice, human rights, peace and security. They aim to expose corrupt systems and networks. Their Corruption Perceptions scores followed by country ranks are as follows for the EMG6 and G6 countries: Germany (77, 10), Japan (71, 18), UK (70, 20), France (66, 27), US (64, 29) and Italy (53, 52). China (43, 76), India (39, 91), Brazil (35, 107), Turkey (31, 124), Mexico (27, 141), Russia (22, 157). The scores (relative to 2024) have decreased for Turkey, France, Germany, Italy, UK and the US; stayed the same for China, Russia, Japan, and increased for Mexico and Brazil. Denmark, Finland and Singapore take the top 3 ranks in the Corruption Perceptions Index Ranking. They state “concerning picture of long-term decline in leadership to tackle corruption, alongside limited signs

Table 3  
G6 Governance Sub-Index scores

		Voice & Accountability					
		Germany	France	UK	Italy	Japan	US
2015		84,71	78,37	82,45	74,72	77,44	79,41
2024		84,82	76,95	79,61	75,53	76,38	72,37
		Political stability					
		Germany	France	UK	Italy	Japan	US
2015		80,09	68,86	75,07	72,64	86,78	77,27
2024		68,02	61,77	70,30	71,17	85,27	64,27
		Government Effectiveness					
		Germany	France	UK	Italy	Japan	US
2015		89,50	79,71	83,16	58,54	84,51	81,92
2024		81,41	74,69	74,38	66,75	91,94	77,78
		Regulatory Quality					
		Germany	France	UK	Italy	Japan	US
2015		80,75	72,43	83,47	64,12	77,12	75,24
2024		78,49	72,94	78,70	64,96	75,83	76,19
		Rule of Law					
		Germany	France	UK	Italy	Japan	US
2015		86,91	78,35	85,55	64,91	81,68	80,66
2024		84,95	73,81	78,82	67,62	82,98	73,52
		Control of Corruption					
		Germany	France	UK	Italy	Japan	US
2015		82,74	74,10	81,34	49,23	77,22	72,89
2024		83,75	72,51	78,41	59,05	75,32	69,86

Source: World Bank

of progress” articulating that Corruption is worsening globally amidst a decline in leadership.

The UN’s Human Development Index focuses on richness of human life instead of economic prosperity metrics. The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The latest HDI scores and ranks of countries that we discussed above are Brazil (0.786,64), China (0.797, 78), India (0.685, 130), Mexico (0.789, 81), Russia (0.832, 64) and Turkey (0.853, 51). For the richer G6 countries the scores and ranks are as follows: Germany (0.959, 5), UK (0.946, 13), US (0.938, 15), Japan (0.925, 23), France (0.92, 26) and Italy (0.915,29).

Progress in human Development and good governance requires a good and efficient legal framework to not only help to establish rules and norms but also to implement them. Many countries in the emerging world lack the institutional legal framework to efficiently deal with disputes, disagreements, unethical practices. Good governance, both public and private cannot exist in the absence of respect for law and order as well as institutional frameworks.

## GEOPOLITICS & GEOPOLITICAL RISK (GPR)

This is a new emerging and increasing risk faced by all countries in the world currently with wars, tariff retaliations, new blocs and connector countries. The rule of law and that of international institutions upholding standards, regulations and norms is critical in today's changing geo-economically fragmented world.

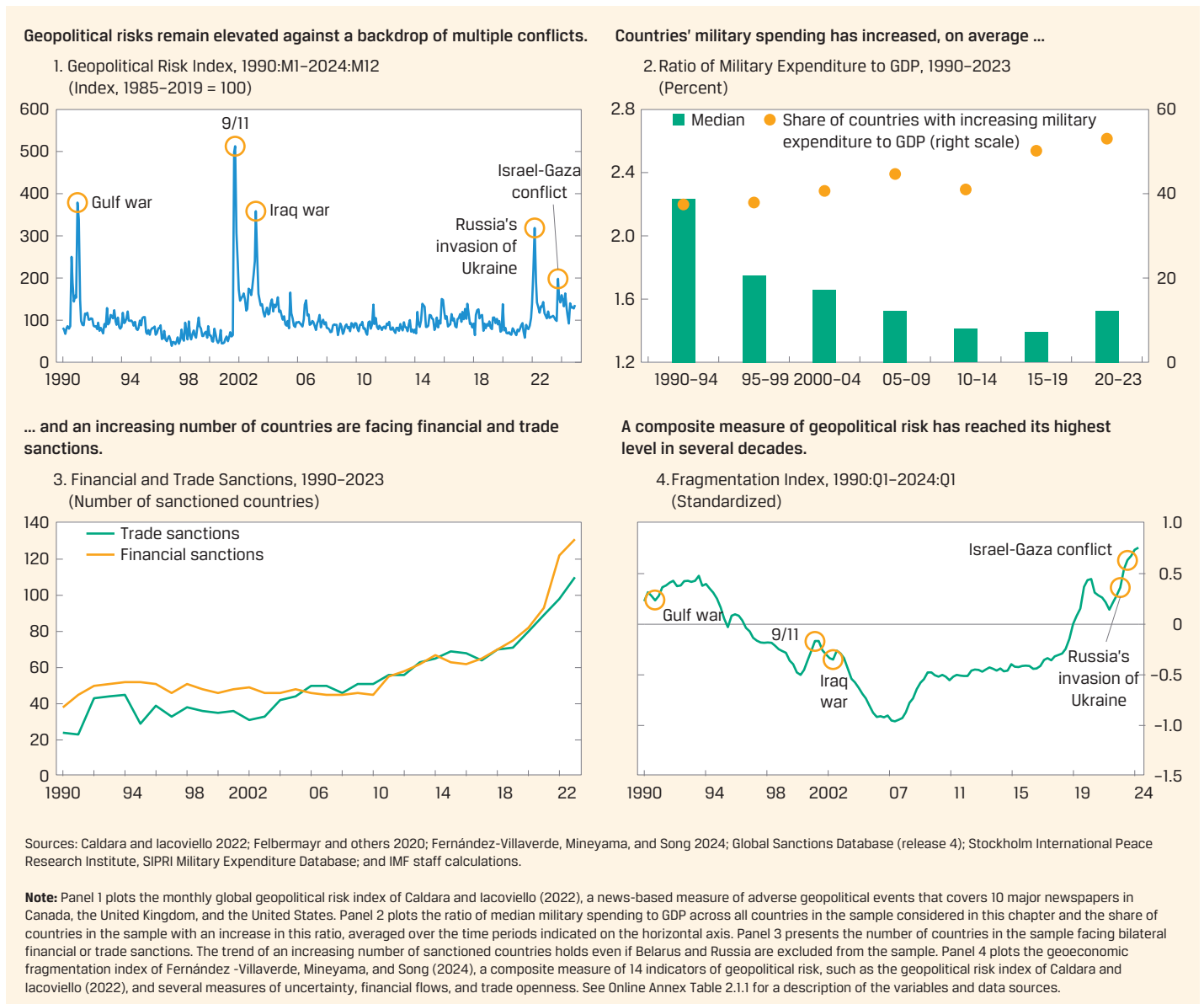
The late Professor Sam Huntington of Harvard wrote the epic "The Clash of Civilizations: the making of a New World Order". He argues that wars would be a clash of cultures rather than a clash between countries. The late Henry Kissinger called it the best book on international affairs post the Cold-War. The book was prescient in laying out the thesis for a Changing World Order highlighting China, Russia vs Crimea, the Muslim Youth Bulge in the Middle East and Africa, the potential decline of the US and its influence. His ideas were controversial too as some considered his theory to be simplifying and ignoring some realistic interdependencies. In his book "The Crisis of

Democratic Capitalism" Martin Wolf addresses why the relationship between democracy and capitalism is coming unstuck. The failings of democratic capitalism have resulted in slower growth, increasing inequality and widespread disenchantment with current regimes. This provided incentives for the emergence of the "strong man leadership" trend. However, Wolf maintains that democratic capitalism still remains the best system for the world.

In a recent blog and report, I synthesized the implications of GPRs for trade, bond prices, equity prices, currencies and volatilities. The Global Financial Stability Report (GFSR) of the IMF reports that geopolitics affects asset prices and EM countries should be cautious of GPRs as they are likely to be more susceptible to GPRs.

Figure 7 from the IMF's GFSR summarises (i) the rise of GPR as measured by the global geopolitical risk index of Caldera and

Figure 7 implications of GPRs for trade, bond prices, equity prices, currencies and volatilities.



Iacoviello (2020) (ii) increased military expenditures by many countries relative to the median (iii) increased financial and trade sanctions and (iv) increase in the fragmentation index. The GPR indices capture the realization as well as the perception of risks that could matter for asset prices.

IMFs' GFSR highlights two channels (the market sentiment and economic) through which geopolitical risk affects asset prices. The market sentiment channel is affected by indicators of transparency, political stability, corruption and the stability of the institutions as well as the regulatory regime to facilitate market efficiency while safeguarding overall stability. To prevent international misunderstandings and crimes, international legal protocols and institutions such as the International Court of Justice. An international legal framework which includes treaties, conventions, agreements, and customary laws governing how countries interact is essential to maintain peace and security, protect human rights and resolve disputes. This would result in lowering geopolitical threats and risks.

## CONCLUSION

We are in the midst of a very uncertain world with growing macroeconomic uncertainty, geoeconomic fragmentation, wars and trade conflicts, with global effects. In addition, the economic prospects over the last decade have trended towards lower GDP growth, higher public debt to GDP, more uncertain inflation and lower asset returns on average. Gender inequality, poor governance and geopolitical risks are the contributory risk factors towards this downtrend.

The role of institutions, legal framework and rules of law are critical to provide an anchor to promote gender equality, good governance and a mitigant for geopolitical risks. The world needs to tackle the issues of gender equality, governance and geopolitics to create a fairer, stabler and growing world.

## NOTES

- The author would like to thank Tjitsger Hulshoff, Gerben de Zwart and Marlies Van Bowen for comments and suggestions.
- All views represent those of the author and none of the institutions of affiliation.
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# Rule of Law – Verval of verbouw?

## DE WERELD WORDT VRIJER, GROENER, RIJKER – WAAROM VOELEN WE ONS DAN ARMER AAN VRIJHEID?

De laatste tijd zijn er veel negatieve berichten over de rule of law en soms ook zeker terecht. Toch hebben we in de call for papers expliciet opgenomen dat ook andere geluiden welkom zijn. Wellicht is deze column door het optimistische geluid contrair.

De World Justice Project Rule of Law Index laat een lichte globale daling zien: in de meest recente meting zag 68% van de landen een kleine afname (gemiddeld -1,07%), vaak door toenemende corruptie of polarisatie in sommige regio's. Maar tegelijkertijd verbeterde 32% van de landen wél, met een gemiddelde stijging van +0,52%. Landen als Polen, Senegal, Brazilië en Thailand klommen in de rankings dankzij concrete hervormingen in justitie en corruptiebestrijding. Belangrijk, want een sterkere rule of law hangt samen met hogere welvaart.

Ondertussen daalt extreme armoede gestaag (van 40% in 1990 naar rond de 10% in 2025), honger neemt af in grote delen van de wereld. De planeet wordt groener. Luchtvervuiling neemt wereldwijd af. Olielekken zijn met meer dan 90% gedaald sinds de jaren '70. Kindsterfte halveerde sinds 1990. Meer dan 100 miljoen kinderen werden sinds 1990 extra gespaard door gezondheidsvooruitgang. Sinds 2000 zijn er door vaccins 88% minder overlijdens aan mazelen. Deze eeuw is er een 90% afname aan voorkeur voor baby's van het mannelijk geslacht. Gewapende conflicten en *battle deaths* liggen lager dan in de meeste 20<sup>e</sup>-eeuwse decennia, en er zijn meer democratieën dan ooit in absolute zin.

Dit alles gebeurt niet ondanks, maar mede dankzij de economische groei en dankzij economische vrijheid. En economische vrijheid kan alleen met dat moderne wereldwonder van een economische transactie. Een transactie gebeurt alleen als er het vertrouwen is dat beide partijen de voorwaarden van de transactie honoreren. Daarom is

sterke rechtsbescherming nodig via eigendomsrechten, afdwingbare contracten en vrij verkeer van marktspelers. Maar rechtsbescherming is ook de bescherming van vrijheid van meningsuiting: het recht om ideeën te uiten zonder top-down censuur.

Musk verhindert vrijheid van meningsuiting. Althans, dat is een veelgehoord geluid. Maar is dit ook echt zo? de feiten spreken anders. De Twitter Files legden bloot hoe het oude Twitter samenwerkte met overheidsinstanties om content te onderdrukken – denk aan het Hunter Biden-laptopverhaal in 2020. Musk kocht het platform en draaide het om met Community Notes: crowdsourced waarheidsvinding die virale desinformatie fors remt (reposts -46%, likes -44%). Collectieve checks door diversiteit in stemmen, niet gecentraliseerde 'experts' of overheidsdruk

Neem de 'fine people'-hoax rond Charlottesville (2017): Trump veroordeelde neo-Nazi's expliciet, maar het narratief werd breed gedeeld als kern van de 2020-campagne – ondanks dat de onbewerkte video het tegendeel aantoonde. Of denk aan de BBC die een clip van 6 januari 2021 bewerkte zodat het leek alsof Trump direct opriep tot geweld. Dankzij open discussie en Community Notes worden zulke misrepresentaties sneller ontkracht: meer vrijheid van meningsuiting, eerlijker debat, meer rechtvaardigheid.

Wat we ook van Trump mogen vinden: zijn aanpak was deregulering die markten vrijer maakt en eigendomsrechten versterkt. Belastende regels werden teruggedraaid, kosten voor vastgoed en bouw daalden,

fiscale stimulansen joegen groei aan. Energie-, tech- en financiële sectoren bloeiden door minder bureaucratie.

Nieuws is altijd slecht nieuws. Het is geen nieuws als er een dag geen ongeluk gebeurt, het is geen nieuws als de wereld weer een stukje rijker wordt, en het is geen nieuws als er weer een dag minder kindsterfte is. Pessimisme en doemscenario's zijn wél nieuws. Paul Ehrlich is bekender dan Julian Simon of Borlaug. De Club van Rome is bekender dan dan Hans Kahn. Malthus is bekender dan Boserup. Maar onbekend is niet onjuist. De vooruitgang is er echt. Laten we die koesteren, beschermen en laten groeien. De rule of law – gesteund door vrije meningsuiting en vrije markten – blijft de motor daarvan.

Staat de rule of law onder druk? Is bovenstaande te optimistisch? Discussie is welkom, laat uw mening horen.

Tjitsger Hulshoff RBA



# Can mandatory disclosure enhance sustainable investment?

Lara Spaans' research focuses on the factors affecting portfolio allocation decisions in mutual funds, with particular attention to the sustainability performance of their holdings. One of her papers examines how mandatory disclosure of funds' sustainability characteristics affects mutual funds' carbon intensity, ESG scores, and investment flows.

Responsible investing has gained significant traction among investors since the adoption of the Paris Agreement in 2015. Despite this development, there have been concerns that ESG investment vehicles are not alike, difficult to compare, and potentially even susceptible to greenwashing. These concerns may significantly hinder the flow of capital to sustainable investments. To address these issues and promote the mainstreaming of sustainable investments, the EU introduced the Sustainable Finance Disclosure Regulation (SFDR) in 2019, which became effective in 2021. It specifically mandates that EU-regulated financial market participants such as providers of

## Lara Spaans

Postdoctoral Candidate in Sustainable Investments at the University of Amsterdam and the University of Maastricht



mutual funds report on the sustainability characteristics of their products or services.

Our research (Spaans et al. 2024) investigates if, and how, the 2021 EU Sustainable Finance Disclosure Regulation (SFDR) affected the flows to mutual funds and portfolio allocations of fund managers. For a sample of European funds (affected by the SFDR) and US-domiciled (unaffected) equity mutual funds, we gathered data on their flows and various portfolio-level ESG measures, such as portfolio carbon intensity and ESG score.

One way through which SFDR could affect flows is through a labelling regime that it has effectively encouraged, potentially enabling funds to provide a new signal to investors about the use of ESG information. EU funds were required to choose whether they align with SFDR's regulatory Article 6 (fund does not align with ESG), Article 8 (the fund, next to a financial objective, chooses to align its investments with ESG characteristics) or Article 9 label (the fund has both a financial and sustainability objective). In our study, we document that many European funds effectively chose Article 8 around the introduction of SFDR. However, this labelling as such had a modest impact on capital flows: relative to Article 6 funds, Article 8 and 9 funds experienced a marginally higher flow of nearly 1 bp per year after the SFDR announcement, and this flow effect mainly concerned retail funds.

Although the effects on capital allocations to mutual funds appear to have been limited, we also provide evidence that SFDR encouraged EU fund managers to change their portfolio composition. Compared to U.S.-domiciled funds unaffected by SFDR, European retail Article 8/9 funds improved

the ESG score and reduced the carbon intensity of their portfolios after the announcement of SFDR. This evidence suggests that by requiring funds to be transparent about their ESG integration, the SFDR incentivized mutual funds to align portfolios with their stated integration. Moreover, we found that European funds that primarily serve institutional investors improved their portfolio carbon intensity and ESG scores *regardless* of having selected Article 6, 8, or 9. Possibly, this implies that despite the limited flow-based incentives to choose a certain SFDR label, the EU mutual fund sector expected, going forward, a structural increase in mandated ESG disclosure regardless of their chosen Article classification. This may have encouraged affected European funds to improve the ESG profile of their holdings.

Our findings have implications for disclosure regulation policy and its effect on investment practice. At first glance, the modest effects of SFDR on fund flows could suggest that SFDR – following its implementation in 2021 – only weakly promoted greater capital allocations into sustainable investment products. At the same time, our research also supports the idea that mandated sustainability disclosure for capital market actors by itself, has the *potential* to causally affect fund flows and the portfolio allocations of institutional investors. Perhaps not unexpectedly, SFDR is currently undergoing review and consultation to make rules clearer and more effective.

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# Ons pensioen ons geld: Juridische beschouwing op de pensioenhervorming

Review door Tjitsger Hulshoff

Is een pensioenrecht een eigendomsrecht? Die vraag klinkt theoretisch, maar de gevolgen zijn dat allesbehalve. Als opgebouwde aanspraken vallen onder beschermd eigendom dan is eenzijdig invaren zonder compensatie geen neutrale hervorming. Het raakt aan fundamentele rechten. Hans van Meerten plaatst zijn analyse precies op dat snijpunt. Hij schrijft tegen de dominante opvatting in. En in een pensioenwereld die snel naar eensgezindheid neigt, is zo'n tegen-geluid waardevol.

Van Meerten heeft decennia ervaring in de sector, onder meer als advocaat en als hoogleraar pensioenrecht. Van Meerten is een prominent speler in de pensioendiscussie en legt met dit boek zijn kanttekeningen en oplossingsrichtingen in een toegankelijk en beknopt boek neer. Het kernbetoog van Van Meerten is scherp en consequent. Het verplicht omzetten van nominale aanspraken naar persoonlijke rekeningen – zonder individuele opt-out of gerichte compensatie per cohort – schendt de proportionaliteitsnormen uit artikel 17 EU-Handvest en artikel 1 EP EVRM. Van Meerten legt de parallel met de woekerpolisaffaire. In beide gevallen ontstond de kloof tussen beloofd en geleverd pas na verloop van tijd. In beide gevallen werden juridische risico's aanvankelijk genegeerd. Van Meerten betoogt dat de doelstellingen van de Wet toekomst pensioenen niet worden gehaald en dat het nieuwe stelsel geen feitelijke individuele pensioenrekeningen bevat, zogezegd het slechtste van twee werelden: de onzekerheid van defined contribution met de starheid van defined benefit.

Van Meerten benoemt een aantal ingrijpende veranderingen die vaak onderbelicht blijven. Uitkeringen die al lopen, verschuiven onder de Wtp van vast naar variabel – een wijziging met directe impact op gepensioneerden, maar zelden expliciet benoemd in de publieke discussie. Hij haalt treffend aan dat rechters informeel zouden hebben opgemerkt dat

het hen niet raakt. Onjuist, want rechters vallen evengoed onder het nieuwe regime.

De asymmetrie tussen solidaire en flexibele primeregeling blijft in het boek onderbelicht: in de flexibele variant behoud je de keuze voor een vaste uitkering, in de solidaire niet. Die scheefheid vraagt om diepere door-denkning. Ook de aansprakelijkheid van werkgevers tijdens de transitie – als partijen die de oorspronkelijke regelingen zijn overeengekomen – komt aan bod, maar blijft bewust open.

Het boek ademt soms frustratie. Begrijpelijk voor iemand die jarenlang dezelfde bezwaren aankaart en telkens door de institutionele mainstream terzijde wordt geschoven. Toch had juist meer van die persoonlijke laag de tekst sterker kunnen maken. Wat doet het met een professional om jarenlang een onderbouwd maar onwelkom geluid te blijven brengen? Die menselijke dimensie had de argumentatie voor de lezer treffender en overtuigender kunnen maken.

De inhoudelijke onderbouwing zelf is stevig. Van Meertens kennis van Europees pensioenrecht is diepgaand, zijn volharding opvallend in een veld dat consensus preferereert. Of hij gelijk krijgt, moet de praktijk uitwijzen. De eerste rechtszaken dienen zich aan. De transitie is onomkeerbaar ingezet. Nog geen hoogste rechter heeft het invaren definitief getoetst. De woekerpolis-



Auteur: Hans van Meerten  
Uitgever: Betram + de Leeuw Uitgevers  
ISBN: 9789461563477

geschiedenis leert dat zulke antwoorden met flinke vertraging kunnen komen.

Dit dunne boek levert dikke inhoud. Het is aanbevolen voor pensioenbestuurders, fiduciair managers en juridisch adviseurs die de Wtp-implementatie sturen of toetsen. De beste beleggers zijn doorgaans contraire denkers. Geldt dat ook voor pensioenjuristen?

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