

MEMO# 3262

November 12, 1991

PROPOSED EC DIRECTIVE ON INVESTMENT AND MANAGEMENT OF PENSION FUND ASSETS

November 12, 1991 TO: INVESTMENT ADVISERS COMMITTEE NO. 56-91 INTERNATIONAL COMMITTEE NO. 27-91 RE: PROPOSED EC DIRECTIVE ON INVESTMENT AND MANAGEMENT OF PENSION FUND ASSETS _____ The

The Commission of the European Communities recently agreed on a proposed directive governing the investment and management of pension fund assets. The directive would remove some national restrictions on management and investment of pension funds and is intended to facilitate transnational pension systems. A copy of the Commission's press release describing the proposed directive is attached. Specifically, with respect to pension management, the proposed directive provides that EC member states may not restrict the freedom of a pension fund to select a manager or custodian established in another member state. With respect to pension fund investment, the proposed directive contains "prudential principles" that establish the applicable standard of care. In addition, under the proposed directive, member states would be prohibited from requiring pension funds to invest in particular types of assets or to restrict their investments to assets in a particular member state. Although maximum limits would be permitted, no provision for a required minimum investment in any particular category would be allowed. We will keep you informed of developments. Frances M. Stadler Assistant General Counsel Attachment

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