

**MEMO# 19345**

November 9, 2005

## **CESR CONSULTATIONS RELATING TO THE UCITS DIRECTIVE**

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INTERNATIONAL COMMITTEE No. 25-05 INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 30-05 RE: CESR CONSULTATIONS RELATING TO THE UCITS DIRECTIVE

Within the last few weeks, the Committee of European Securities Regulators (CESR) has published two consultation papers relating to UCITS funds. The consultation papers and the deadlines for industry comment are described below. Common Approach to UCITS Notification Procedures CESR published a consultation paper on proposals for a common approach to the notification procedures in the UCITS Directive. The consultation paper and related documents are available on CESR's web site at

[http://www.cesr-eu.org/consultation\\_details.php?id=70](http://www.cesr-eu.org/consultation_details.php?id=70). In the consultation paper, CESR proposes to draft guidelines to facilitate the consistency of practices regarding UCITS notification procedure, thereby promoting convergence, certainty and transparency in the supervisory practices of European regulators. CESR asks for input on a number of areas relating to the notification process, including the two-month notification process provided by the UCITS Directive and the treatment of sub-funds of umbrella fund structures. The deadline for comment on this consultation is January 27, 2006.<sup>1</sup> As you know, we firmly believe that improving the system of UCITS notifications is one of the most important steps Europe can take to facilitate the cross-border sale of funds. We are thus likely to submit a comment letter in response to this consultation. We will schedule a conference call with members in December to discuss Institute member concerns and likely Institute comments. Eligible Assets for UCITS Funds CESR also published a consultation paper providing draft technical advice to the European Commission regarding clarification of definitions concerning eligible assets for 1 A second consultation period is scheduled to start in April 2006, with final guidelines expected to be published in June 2006. 2 investments of UCITS. This is the second CESR consultation on this topic. The consultation paper and related documents are available on CESR's web site at [http://www.cesr-](http://www.cesr-eu.org/consultation_details.php?id=69)

[eu.org/consultation\\_details.php?id=69](http://www.cesr-eu.org/consultation_details.php?id=69). The consultation paper addresses whether or to what extent some financial instruments could be considered eligible assets for a UCITS fund in compliance with the definitions of "transferable securities" and "money market instruments" and the list of authorized investments under the UCITS Directive. The consultation paper's discussion of money market instruments may be of greatest interest to Institute members.<sup>2</sup> At a November 7th CESR hearing on this topic, commentators expressed concern that CESR's draft advice on money market instruments may not fully reflect the range of money market instruments available in the market. Commentators also expressed concern over CESR's proposed use of remaining maturities of less than one year

in the discussion of eligible money market instruments and the use of amortized cost for valuation.<sup>3</sup> As the second consultation on this topic, the comment period is very short, with comments due on November 21, 2005. If you share the concerns over CESR's draft advice relating to money market instruments, or have other concerns about the consultation paper, please let us know as soon as possible by contacting me at 202-371-5430 or [rcg@ici.org](mailto:rcg@ici.org) or Glen Guymon at 202-326-5837 or [gguymon@ici.org](mailto:gguymon@ici.org). Robert C. Grohowski Senior Counsel - International Affairs

2 See pages 16-32 of the consultation paper for the discussion of money market instruments. 3 See paragraphs 54 and 56 and box 4 of the consultation paper.

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