

MEMO# 10287

September 16, 1998

EU PROPOSALS TO AMEND THE UCITS DIRECTIVE AND REGULATE MANAGEMENT COMPANIES UNDER A NEW DIRECTIVE

[10287] September 16, 1998 TO: INTERNATIONAL COMMITTEE No. 30-98 RE: EU PROPOSALS TO AMEND THE UCITS DIRECTIVE AND REGULATE MANAGEMENT COMPANIES UNDER A NEW DIRECTIVE

Attached are copies of two proposals issued by the European Commission relating to the regulation of collective investment vehicles. The first proposal would amend the existing UCITS Directive, Council Directive 85/611/EEC. The second proposes to establish a new directive to regulate management companies of investment companies. The first proposal would amend the UCITS Directive to permit a UCITS greater flexibility to invest in money market instruments, bank deposits and derivatives. It also would allow countries to permit a UCITS to invest more than 10% of its assets in another collective investment fund under certain conditions. It would not permit "master/feeder" funds. The second proposal would establish a new regulatory framework that would allow a management company that met the minimum standards set out in the directive and was authorized in its home country, to provide investment management services in other member countries, including through branch offices. To conduct business outside its home country, the management company would file notifying documents with its home country regulator which, in turn, would notify host regulators. While the new system envisions close cooperation between home and host country regulators, it generally would place responsibility for regulation of investment management companies on the home regulator. The proposals will be considered by the European Parliament and the Council of Ministers. Mary S. Podesta Senior Counsel

Attachments