

**MEMO# 12693**

September 29, 2000

## **INSTITUTE SUBMITS COMMENTS TO EUROPEAN COMMITTEE OF WISE MEN REGARDING UCITS**

[12693] September 29, 2000 TO: INTERNATIONAL COMMITTEE No. 33-00 RE: INSTITUTE SUBMITS COMMENTS TO EUROPEAN COMMITTEE OF WISE MEN REGARDING UCITS To increase the overall effectiveness of a single financial services market in the European Union, the European Commission and the French Presidency formed a committee of seven “wise men” to review, in part, the regulation of the European securities markets. The Committee of Wise Men requested comment, via the Internet, on a number of key issues relating to an integrated European securities market. In response, the Institute has submitted the attached comments that focus on regulatory barriers to a pan-European UCITS market. Specifically, the Institute’s comments identify three principal problems under the UCITS Directive: (1) the Directive is interpreted and implemented differently in member states; (2) marketing rules are left to individual member states; and (3) the highly prescriptive definition of what qualifies as a UCITS impedes innovation and does not permit the Directive flexibility to accommodate market developments. To address these concerns, our comments recommend that pending amendments to the UCITS Directive be adopted as soon as possible. The Institute also recommends that marketing rules for UCITS funds be harmonized and that member states work together to develop uniform interpretations of the UCITS Directive and harmonize mutual fund regulation. Finally, the comments also recommend that member states replace asset allocation requirements for pension plans with standards based on diversification and prudence. The Committee of Wise Men plans to publish its initial report in early November. Jennifer S. Choi Assistant Counsel Attachment Attachment (in .pdf format)