

**MEMO# 14544**

March 19, 2002

## **AMENDED UCITS DIRECTIVE BECOMES EFFECTIVE**

[14544] March 19, 2002 TO: INTERNATIONAL COMMITTEE No. 21-02 INTERNATIONAL MEMBERS No. 4-02 RE: AMENDED UCITS DIRECTIVE BECOMES EFFECTIVE On February 13, 2002, the Commission published the final text of the amendments to the UCITS Directive in the Official Journal of the European Communities. A copy of the amendments is attached. The amendments are contained in two separate Directives that amend the original UCITS Directive. The first Directive imposes requirements on management companies of UCITS funds (including capital requirements), provides a limited "passport" for management companies to operate in the European Union, permits member states to authorize management companies to manage pension funds as well as UCITS funds, and requires a simplified prospectus for UCITS funds that all member states must accept. The second Directive provides UCITS funds with greater flexibility in the types of investments they may make (e.g., investments in other funds, including non-UCITS funds and money market instruments). Member states must adopt national laws to implement the new Directives by August 13, 2003 and apply the new national laws no later than February 13, 2004. The Directives also include transitional provisions. Management companies authorized prior to February 13, 2004 under the original UCITS Directive would be deemed to be authorized for purposes of the new Directive if the laws of their home member states required the companies to comply with conditions equivalent to Articles 5a and 5b of the new Directive.<sup>1</sup> Otherwise, the existing management companies may continue operating if they obtain authorization by February 13, 2007 to operate in accordance with the national provisions implementing the new Directive. With respect to UCITS funds, the new Directive would permit member states to grant UCITS funds existing as of February 13, 2002, until February 13, 2007, to comply with the new national legislation implementing the new Directive. Publication of the final text brings to a close this round of amendments to the UCITS Directive, which began in 1998. The new Directives, however, require the Commission to review and report on the new capital requirements no later than February 13, 2005, to take into account developments, "particularly those pertaining to capital charges on operational risk within the European Union and other international fora." Moreover, the Commission within the same timeframe also must make a report on the application of the new Directives and make proposals for amendments as necessary. Jennifer S. Choi Associate Counsel Attachments Note: Not all recipients receive the attachments. To obtain copies of the attachments, please visit our members website (<http://members.ici.org>) and search for memo 14544, or call the ICI Library at (202) 326-8304 and request the attachments for memo 14544. Attachment no. 1 (in .pdf format)

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