

MEMO# 19053

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EU GREEN PAPER ON THE ENHANCEMENT OF THE EU FRAMEWORK FOR INVESTMENT FUNDS

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19053] August 1, 2005 TO: INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 20-05 RE: EU GREEN PAPER ON THE ENHANCEMENT OF THE EU FRAMEWORK FOR INVESTMENT FUNDS On July 14, 2005 the European Commission issued a Green Paper analyzing the fund market and regulatory framework in the EU and suggesting possible ways in the short and medium term to improve EU regulations to facilitate the development of the fund industry. 1 The paper does not recommend a legislative overhaul but rather suggests a targeted approach over the next two years to resolve outstanding UCITS implementation-related issues, consider the need to provide a true management company passport, and analyze a number of issues related to the distribution, sale and promotion of funds. The paper also suggests giving thought to long term challenges such as fund mergers and pooling, whether to permit cross-border depository services, the effect on the fund market and investor protection of competition from substitute products, and how to regulate alternative products such as hedge funds and private equity funds. The two problem areas of greatest interest to the Institute and its members -- difficulties in using the UCITS passport and the lack of standardized fund performance information -- are covered in the Green Paper. The paper identifies streamlining the registration process for UCITS funds as a priority issue. In addition, in calling for work on the way UCITS are offered, sold or promoted to investors, the paper recognizes the need for "better and user-friendly disclosure of performance and charges." Comments on the Green Paper are due November 15, 2005. Based on the comments, the Commission expects to develop recommendations in early 2006 to enhance the UCITS framework. 1 The Green Paper is available at the European Commission's Website at:

http://europa.eu.int/comm/internal_market/securities/docs/ucits/greenpaper_en.pdf

http://europa.eu.int/comm/internal_market/securities/docs/ucits/greenpaper-background_en.pdf 2 The Institute expects to submit comments on the Green Paper. If you have specific

concerns that you would like the Institute to address, please contact me at (202) 326-5826 or podesta@ici.org. We are scheduling a conference call with members on Monday, September 19 at 11 AM to discuss the specific issues raised by the consultation draft. Dial in information for the call will be circulated later. Mary S. Podesta Senior Counsel

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