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UCITS V—Significant Changes for European Funds and Fund Managers

Today the European Commission adopted a proposal for revisions to the Undertakings for Collective Investment in Transferable Securities (UCITS) framework, which governs cross-border retail investment funds in Europe. The proposal, commonly known as UCITS V, includes new rules on the role and duties of fund depositaries and the remuneration of fund managers, based in part on those in the Alternative Investment Fund Managers Directive (AIFMD). UCITS V also contains rules on regulatory sanctions. The proposal will go through the usual negotiation process by the European Commission, the European Parliament, and the European Council of Ministers before entering into force, but is likely to result in significant changes for UCITS fund managers.

Since its creation over 25 years ago, the UCITS framework has become a global fund brand, with UCITS distributed in Asia, the Middle East, and South America. This globalization of UCITS offers unique and substantial benefits to a diverse group of managers and investors. The outcome of negotiations on UCITS V should continue to afford investors an appropriate degree of protection, whilst maintaining appropriate flexibility for UCITS funds to operate, invest, and be distributed on a global basis.

The new rules on the remuneration of UCITS managers should be cast in a manner that reflects the way in which UCITS operate and invest, and that recognizes the distinction between taking risks with a firm’s own assets and taking fully disclosed investment risks with fund assets, as permitted and circumscribed by the UCITS framework. The new rules specifying the role and duties of a fund’s depositary to oversee the UCITS fund assets and to protect its investors should continue to enable funds to efficiently and effectively invest in a range of local and global assets, allowing these investors to meet their goals, including saving for pensions and retirement.