



**COUNCIL OF
THE EUROPEAN UNION**



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Council improves rules for EU investment funds

The Council adopted today¹ a directive on undertakings for collective investment in transferable securities (UCITS) ([3605/1/09 REV 1](#) + [10824/09 ADD1](#)), following a first-reading agreement with the European Parliament.

This directive seeks to update the regulatory framework applicable to European investment funds – undertakings for collective investment in transferable securities (UCITS) – which represent a market of around EUR 5 000 billion.

The aim of the directive is to modernise the regulatory framework applicable to these financial products in order to:

- offer investors a greater choice of product at lower cost through better integration of the internal market;
- provide investors with suitable protection through high-quality information and more efficient supervision;

¹ The decision was taken, without debate, at a meeting of the Agriculture and Fisheries Council.

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- maintain the competitiveness of European industry by adjusting the regulatory framework to developments in the market.

Against this background, the text is aimed at fulfilling the following objectives:

- **improve investor information** by creating a standardised summary information document: "key information for investors"; this is an innovative approach aimed at making it easier for the consumer to understand the product: thus a fine balance has to be struck between the document's readability and the amount of information required (too often consumers are deluged with information); the document will be tried out with consumers before it is finalised;
- **create a genuine European passport for UCITS management companies** – this is the last piece missing from the internal market as regards UCITS management: a management company located in a Member State will be able to manage funds in other Member States; this should enable substantial economies of scale to be made (up to EUR 700 million per year, according to the Commission) and ensure greater transparency for consumers as to the location of the management company; it should make for greater diversity in the products offered to consumers, which is essential in view of increasing requirements concerning retirement saving;
- **facilitate crossborder marketing** of UCITS by simplifying administrative procedures: there will be immediate market access once the authorisation has been granted by the country of origin of the UCITS; the host country will be able to monitor the commercial documents but not to block access to the market;
- **facilitate crossborder mergers of UCITS**, which will make it possible to increase the average size of European funds; the information given to investors about the merger will be monitored by the supervisor, who will not authorise the merger unless it is satisfactory; authorisation will be assigned to a single supervisor, in conjunction with the other supervisor concerned, so as to make the procedures more efficient;
- **facilitate asset pooling** by creating a framework for the system of "master-feeder" arrangements whereby a fund invests more than 85 % of its assets in another fund;
- **strengthen the supervision of UCITS and of the companies that manage them**, by means of enhanced cooperation between supervisors: the Directive encourages the exchange of information between supervisors, harmonises the powers of supervisors, and allows for the possibility of on-the-spot investigation, consultation mechanisms and mutual-aid mechanisms for the imposition of penalties, in particular.