

Policy Department
Economic and Scientific Policy

WORKSHOP UCITS

Presentations and Briefing notes

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PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
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**DIRECTORATE-GENERAL INTERNAL POLICIES OF THE UNION
- DIRECTORATE A -
ECONOMIC AND SCIENTIFIC POLICIES**

Workshop: UCITS

Programme

15 September 2008

European Parliament, Brussels, Room: **ASP 5G2 15.00-18.30**

(Interpretation DE, EN, FR)

15.00-15.10 **Introduction by MEP Wolf Klinz, Rapporteur (ALDE)**

15.10-17.00 **Session 1: UCITS IV**

- Notification issues, including advertising and marketing and translation of documents.
- Is the Key Investor Information (KII) an improvement on the prospectus, what could be the legal liability?
- Are the provisions for mergers covered adequately? How can any tax implications be addressed?
- The management company passport is not part of the revision proposal but it is explicitly mentioned in the explanatory memorandum and CESR has been given a technical mandate to address some remaining supervisory issues. What are the main issues and challenges in the application of this passport? What would be the benefits of such a passport?

Guest speakers:

- Mr Carlo Comporti, Secretary General of CESR
- Dr Wolfgang Mansfeld, President, Bundesverband Investment und Asset Management, Germany
- Mr Claude Kremer, Chairman, Association of the Luxembourg Fund Industry (ALFI), Luxembourg
- Mr Alain Leclair, President, Association Française de la Gestion Financière (AFG), France

17.00-18.30 **Session 2: How to prevent UCITS from becoming a museum piece?**

- UCITS is a trademark for European asset management. How can this be maintained effectively? It is estimated that 90% of cross border UCITS sales come from Asia and that this trend will continue. How can this affect UCITS? Should anything be changed?
- The role of supervisors is complex in an ever sophisticated financial market. How can they keep control and at the same time give flexibility?
- What are the main differences and advantages and disadvantages between harmonised and non harmonised funds? Risk management, liquidity risk, and marketing.
- Is there a need to rethink the product-based nature of UCITS in order to remain attractive in the long run?

Guest speakers:

- Mr Paul Freeman, Managing Director, Black Rock, UK
- Mr Heinz Macher, Head of Legal, Taxes and Compliance, Raiffeissen Kapitalanlage-Gesellschaft m.b.h., Austria
- Mr Dario Frigerio, Chief Executive Officer, Pioneer Investments, Italy
- Mr Jean- Pierre Paelinck, Secretary General, Euroshareholders, Belgium

Referent:

Prof. Dr Raimond Maurer, Chair of Investments, Portfolio Management and Pension Finance, Goethe University, Frankfurt, Germany

Curricula Vitae

Session I - Speakers

Carlo Comporti

Carlo Comporti has been CESR's Secretary General since January 2008.

Prior to this, Mr Comporti was the Deputy to the Secretary General of CESR and Director for Markets and Intermediaries in the CESR Secretariat.

He joined the CONSOB in 1994, firstly in the Intermediaries Enforcement Division and subsequently in the International Relations Office. He has been a member of expert groups in the field of securities regulation at the EU Council, Commission, OECD, and rapporteur of the FESCO Expert Group on Investor Protection and then the CESR MiFID Expert Group. Carlo Comporti spent six months at the ECB working on a joint project with CESR in securities clearing and settlement, and one year at the European Commission as a national expert working on the revision of the Investment Services Directive.

He graduated from the University of Siena with a Degree in Economics and Banking and holds a Doctorate in Banking and Securities Law.

He is a visiting professor of Commercial Law at the University of Siena and he has published numerous publications in the fields of securities and company law.

Wolfgang Mansfeld

Wolfgang Mansfeld began working in the asset management industry in 1986, joining Union Investment in 1990 and moving to his current position as Member of the Board in 1999. In 2007 he was elected President of the German Fund Industry Association BVI, where he served as a Board Member since 2002.

Claude Kremer

Claude Kremer is chairman of the Association of the Luxembourg Fund Industry ("ALFI"). Claude Kremer is a partner of the Luxembourg law firm Arendt & Medernach. A member of the Luxembourg Bar since 1982, he holds various positions in legal and industry working groups.

In 2006, following the publication by the European Commission of the Green Paper on investment funds, Claude Kremer was appointed to the expert group set up to report on ways to improve the efficiency of the EU investment fund market.

Claude Kremer is a lecturer at the University of Luxembourg. He is co-author of a book entitled *Organismes de placement collectif et véhicules d'investissement apparentés en droit luxembourgeois* (Undertakings for Collective Investment and related investment vehicles under Luxembourg Law, Larquier, Brussels, 2nd edition, 2007).

Alain Leclair

Alain Leclair is the Chairman of **AFG** (French Asset Management Association), and was elected to that position in 1997.

Alain Leclair also chaired from 1999 to 2000 **FEFSI** (European Federation of Investment Funds and Companies), which has become the European Federation of Asset Management (**EFAMA**).

Alain Leclair has been Vice-Chairman of the European Savings Institute (**OEE**) since 1999. He is member of the executive board of **Paris Europlace** and the “**Pôle de Compétitivité Finance Innovation**”.

He is a member of the “**Investment Banking Committee**” of the French Banks Association (**FBF**) and member of the advisory board of the **FRR**, the French Public Retirement Pension Fund.

Alain Leclair has held several positions with the investment banking division at **Paribas** and headed its stockmarket division.

He is the founder and chairman of **Paribas Asset Management SA**.

Today he is founder-Vice Chairman of the asset management company “**La Française des Placements**” and Chairman of **Financière de la Cité Asset Management Company**.

Alain Leclair is a graduate of « Ecole des Hautes Etudes Commerciales » (**HEC**, 1962) and also « **Institut d’Etudes Politiques** » de Paris (1964).

Referent

Prof. Dr. Raimond Maurer

Prof. Dr. Raimond Maurer currently holds the endowed Chair of Investment, Portfolio Management and Pension Finance at the Finance Department of the Goethe University. His main research interests focus on asset management, insurance, and pension. He received his habilitation, PhD, as well as Diplom in business&economics from Mannheim University and has previous working experience in the areas of banking, asset management, , and policy consulting. Dr. Maurer holds several professional positions like at the Society of Actuaries, the Association of Certified International Investment Analysts, and the Pension Research Council at the Wharton School of the University of Pennsylvania.

Session II - Speakers

Paul Freeman

Paul Freeman is the Head of the International Product Development at BlackRock, with responsibility for the development of funds domiciled or distributed internationally. He has worked in the investment funds industry for 30 years and has held senior management positions at Schroders, Rothschild Asset Management, Henderson Investors and GT Management (now part of Invesco).

Heinz Macher

Heinz Macher is head of Legal, Taxes and Compliance at Raiffeisen Capital Management in Vienna, Austria. Since 2006 Macher has been a University Lecturer at the Department of Finance & Accounting at Vienna University of Economics and Business Administration. Macher received the Scientific Prize of the International Fiscal Association for his doctoral thesis on “VAT Law in the Single Market” (1995). He has published widely on EU VAT law, investment fund law and corporate governance in asset management.

Dario Frigerio

Dario Frigerio was born in Italy in 1962. He graduated in economics from Bocconi University, Milan, with first class honours and distinction.

After two years spent in university, his professional career started in 1988, when he joined Credito Italiano as a financial analyst.

In 1989, he worked in International and Domestic Treasury Management and, in 1991, moved to Proprietary and Asset and Liability Management, becoming Head of Fixed Income & Currency in 1995 within Asset Management.

In 1997, he became Chief Investment Officer, CreditRolo Gestioni SpA, and held the same post at EuroPlus Research & Management (Ireland) from 1998 onwards, and then that of Chief Executive Officer, Pioneer Investment Management Limited (Ireland) from 2000 onwards.

Dario Frigerio moved to Boston in 2001 when he became Chief Executive Officer of Pioneer Global Asset Management.

In 2004, he was appointed Group Deputy General Manager of UniCredit and Chief Executive Officer of UniCredit Private Banking.

In 2007 he was appointed Deputy Chairman of UniCredit Private Banking S.p.A., the Group's bank serving private customers in Italy.

He is currently holding office as Head of Asset Management Division.

Jean-Pierre Paelinck

Born in Ghent (Belgium) on 9th February 1939 and is married to Hedwine GHUYS (who studied “romance languages” at the University of Ghent).

In 1976: doctorate degree in Economic Sciences also from the University of Ghent with a dissertation on "Banking Concentration in Europe".

Currently Secretary General of "Euroshareholders" and Financial consultant accredited by the Centre of Management of the Brussels Chamber of Commerce and Industry

Board member of: Institut de Références des Marchés S.A (Président), Europrivec S.A (Managing Director), Compagnie Financière du Lombard S.A., DUBUS Management S.A. (Lille) and N.V. Immoganda (real estate company).

Honorary Consul of Guatemala in Ghent

Slides

Session I - UCITS IV

**Presentation by
Carlo Comporti
Secretary General of CESR**



**The Committee of European Securities
Regulators**

**UCITS WORKSHOP
European Parliament, Brussels**

15 September 2008

**Carlo Comporti
Secretary General of CESR – The Committee of
European Securities Regulators**



Table of content

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 - Key Information Document
 - Commission testing exercise
 - Further technical work

- Mandate on UCITS management company passport
 - Context
 - Call for Evidence
 - On-going work



KID: Key Information Document

- Following two-month consultation, advice delivered to the Commission in February
- Key recommendations:
 - Limit length of document to 2 sides of A4 for all funds
 - Test two options for risk/reward disclosure: synthetic risk/reward indicator and improved narrative
 - Use 10 years of past performance information where available; bar charts and percentages preferred
 - Test two options for charges disclosure: improvement of existing approach, or addition of 'summary' figure; latter approach requires certain assumptions e.g. investment period

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KID: Commission testing exercise

- Testing of KID with investors
 - Testing based on CESR's advice of February 2008
 - Two phases involving quantitative and qualitative testing
 - Ongoing CESR input on questionnaires, variants and analysis of results
 - Individual disclosure elements tested at Phase 1, full mock-ups of KID at Phase 2
 - Results to feed into CESR's final advice for delivery in mid-2009

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KID: Further technical work

- Further technical work following advice to Commission
- Risk/reward
 - Calculation methodology for synthetic risk/reward indicator
- Past performance
 - Calculation methodology, handling of benchmarks, material changes, simulated performance
- Charges
 - Calculation methodologies for TER, use of ex-ante vs ex-post data, handling of performance fees & transaction costs, 'summary' figure
- Structured/formula funds
 - Specific risk/reward profile; past performance not relevant so consideration of prospective and historical simulations
- Consultation early 2009

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Mandate on UCITS management company passport

- 16 July 2008:
 - European Commission's proposal to amend the UCITS Directive
 - Request for assistance from the European Commission to CESR on UCITS management company passport
- UCITS Management company passport in the Directive proposal: no provisions due to concerns on the effectiveness of the supervision, but an explanatory text asking CESR to address them with a view to introducing amendments
- 1st November: advice to the European Commission on:
 - Structure and principles that should guide potential future amendment to the Level 1 UCITS Directive
 - Fields that could be addressed through Level 2 measures.

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Call for Evidence

- Broad support for the management company passport
- Emphasis on the need to avoid burdensome framework and additional costs
- Lack of harmonisation in certain areas (organisation and risk management requirements, depositary...) may raise supervisory issues
- Need for a clear split of functions and responsibilities between players (UCITS, ManCo, depositary) as well as between regulators
- Need for efficient cooperation between regulators (supervision and enforcement)
- Suggestion made to require some physical presence in the MS of the UCITS.

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CESR's work on the mandate

- Reflection conducted within the Investment Management Expert Group chaired by Lamberto Cardia, Chairman of CONSOB.
- European Commission as an observer
- Consultation: Open hearing 13 October 2008
- Main issues identified
 - Identification of non-harmonised rules and supervisory concerns that may arise. Which split of supervision between regulators?
 - Depositary: in the UCITS MS, which role? Which relationship with the management company?
 - Which flow of information between regulators and other players?
 - Which framework for an effective enforcement (contractual funds)?
 - Possible physical presence in the MS of the UCITS. Which benefits to the supervisory framework?

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Thank you for your attention

**Presentation by
Dr. Wolfgang Mansfeld
President of BVI**

UCITS-Workshop

Dr. Wolfgang Mansfeld
President BVI

Brussels, 15th September 2008



Remarks regarding UCITS IV

On the Key Investor Information

- Right way but impact on consumer choice not be overestimated
- Level playing field issues to be kept in mind

On the Management Company Passport

- Industry taskforces concluded that (almost) full passport is possible without creating regulatory gaps
- No indication that retaining administrative function in fund domicile is condition for effective fund supervision.



UCITS IV

EP Workshop 15 September 2008

Claude Kremer, ALFI Chairman

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UCITS IV

- ALFI welcomes the draft directive released on 16 July 2008
- All topics of the draft directive will bring further efficiencies to the overall UCITS framework
- Draft directive not to be seen as dependent on the outcome with regard to ManCo passport
- ALFI participated in the CESR call for evidence on ManCo

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Notification Procedure

ALFI welcomes the new version of the notification procedure:

- Regulator to Regulator notification process
- No ex post control on UCITS IV matters by the Host Member State competent authorities that remain only in charge for provisions falling outside the UCITS IV scope, marketing and disclosure purposes and operations linked to paying agency services
- Cost efficient and speedier time to market
- Simpler language regime, translation only mandatory for the KIID

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Key Investor Information Document (KIID)

ALFI supports the Commission's approach and stresses:

- Conciseness: focus on the key investment objectives, risks, fees and performance indicators
- Simplicity of terminology: same regime as applicable for the summary of the prospectus regime
- Harmonisation: permits promoters to use the same document across the European Union
- Comparability: allows retail investors to compare UCITS products EU wide.

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