25 Years of UCITS

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UCITS

DEFINITION

Undertakings for Collective Investment in Transferable Securities

TIMELINE

- Proposed 1976
- UCITS I Directive 1985
- UCITS II Directive (r.i.p)
- UCITS III Directive 2003
- UCITS IV Directive 2009
## UCITS I – Original Investment Limits

<table>
<thead>
<tr>
<th>INVESTMENT</th>
<th>UCITS I</th>
<th>CURRENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transferable Securities</td>
<td>10% up to 40% of Portfolio, otherwise 5%</td>
<td>10% up to 40% of Portfolio, otherwise 5%</td>
</tr>
<tr>
<td>Money Market Instruments</td>
<td>Yes but must be listed</td>
<td>Yes but must be listed</td>
</tr>
<tr>
<td>Regulated Funds</td>
<td>Max 5%</td>
<td>Yes</td>
</tr>
<tr>
<td>Closed ended funds</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Deposits</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Warrants</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Short Sales</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Derivatives</td>
<td>EPM Only</td>
<td>Yes</td>
</tr>
<tr>
<td>Borrowing</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Source: Source: PWC: Lipper Hindsight

## UCITS - Growth of UCITS Funds

- Total number of cross border funds grew from 3,200 - 7,500 (2001 - 2009)
- About 60,000 registrations globally
- Average number of country registrations per fund is 8
- In 2001 only 5 fund groups in 20+ countries, now over 30
- Approximately one third of new UCITS “sophisticated”
- 9.1% of UCITS registrations in Asia
UCITS: Luxembourg & Ireland

LUXEMBOURG
- Approximately 1,800 UCITS Domiciled in Luxembourg (Umbrellas)
- 40,000 people employed directly in the Investment Fund Industry
- €1.4 trillion in UCITS assets (29% of European Market)
- 76% of cross border UCITS marketing approvals are for Luxembourg Funds

IRELAND
- Approximately 2,700 UCITS Domiciled in Ireland (inc sub funds)
- 12,000 people employed in the Funds Industry (inc non-UCITS*)
- €611 billion in UCITS assets (12% of European Market)

* Ireland has built a niche in non-UCITS hedge fund asset administration - 41% of global hedge fund assets are administered from Ireland (IFIA)

UCITS III - Key Features

PRODUCT DIRECTIVE
Allowed:
- Investments other than Transferable Securities
- UCITS Funds of Funds
- Greater use of Cash Deposits
- Financial Derivative Instruments
- Financial Indices

Clarified
- Permissible Money Market Instruments
- Rules on counterparty exposure

MANAGEMENT COMPANY DIRECTIVE
- Cross Border Management Companies
- Simplified Prospectus
- Largely unsuccessful – required UCITS IV
UCITS IV – Key Features

FIVE MODIFICATIONS AND 3 THEMES: Effective 11th July 2011

1. Fund Structuring
   - Introduces framework for merger of UCITS (Tax issues remain)
   - Allows “master-feeder” structures
   - Management Company Passport

2. Improved Cross Border Process
   - Notification Process
     - Regulator to Regulator
     - 10 day waiting period

3. Improved Investor Information
   - Key Investors Information Document ("KID")
     - Simplified Investor Information
     - Required contents may create consistency challenges