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## 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



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## UCITS I – Original Investment Limits

INVESTMENT	UCITS I	CURRENT
Transferable Securities	10% up to 40% of Portfolio, otherwise 5%	10% up to 40% of Portfolio, otherwise 5%
Money Market Instruments	Yes but must be listed	Yes but must be listed
Regulated Funds	Max 5%	Yes (Max 30% in non UCITS)
Closed ended funds	No	Yes
Deposits	10%	100%
Warrants	Yes	Yes
Short Sales	No	No (but Derivatives can achieve effect)
Derivatives	EPM Only	Yes
Borrowing	10%	10% (but note financial leverage possible through derivatives)

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## 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

source: PWC: Lipper Hindsight

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## 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)

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## 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

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## UCITS IV – Key Features

### FIVE MODIFICATIONS AND 3 THEMES: Effective 11<sup>th</sup> 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