EUROPEAN COMMISSION

STATEMENT

Brussels, 15 April 2014

Greater protection for retail investors: Commission welcomes European Parliament adoption of strengthened European rules on UCITS

The European Parliament has today adopted in plenary session an amended Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards depositary functions, remuneration policies and sanctions (the so-called UCITS V). The new rules will considerably strengthen the protection of investors *vis-à-vis* managers of UCITS funds and their depositaries. It will also ensure that managers who break the law will be sanctioned in an appropriate way.

Internal Market and Services Commissioner Michel Barnier said: *"The financial crisis became a crisis of consumer confidence. Consumers were shocked by the extent of the Madoff fraud, how inadequately their assets were protected, and how differently their compensation claims were handled in the various Member States. The amended Directive will address those problems. I am very satisfied with the outcome.*

I would like to pay tribute to the rapporteur, Sven Giegold, and the shadow rapporteurs, for their commitment to this achievement. I am convinced the Council will approve the adoption of the Directive in the coming weeks.

With this vote, we have taken another important step towards making financial products safer and re-establishing investor confidence, a pre-requisite for investment and economic growth in Europe."

Key elements of the UCITS V Directive:

(1) UCITS V strengthens the rules on **eligible entities** that can act as a depositary. Only national central banks, credit institutions and regulated firms with sufficient capital and adequate infrastructure will be eligible as UCITS depositaries and will hold for safe-keeping all UCITS assets.

(2) UCITS assets will be **protected in the event of insolvency** of the depositary through clear segregation rules and safeguards provided by the insolvency law of the Member States.

(3) The **depositary's liability** has been strengthened. The depositary will be liable for any loss of UCITS assets held in custody. The UCITS investors will always have the **right of redress** directly against the depositary and will not have to rely on the management company's ability to accomplish this task.

(4) **Remuneration policies** for all risk takers involved in managing UCITS funds have been introduced so that remuneration practices do not encourage excessive risk-taking and instead promote sound and effective risk management. The transparency of the remuneration practices will be enhanced. The remuneration policies are in line with those in the Alternative Investment Fund Managers Directive (2011/61/EC).

(5) The agreement strengthens the existing regime to ensure effective and harmonised **administrative sanctions**. The use of criminal sanctions is framed so as to ensure the cooperation between authorities and the transparency of sanctions. A harmonised system of strengthened cooperation will improve the effective detection of breaches of UCITS rules.

Background

In July 2012 the Commission adopted a proposal for a directive amending the UCITS Directive (2009/65/EC) in the areas of depositary functions, remuneration policies and sanctions with the aim of strengthening the protection of investors (see IP/12/736).

The original UCITS Directive created the internal market for investment funds in Europe. The current EU legislation for investment funds (the UCITS Directive) has been the basis for an integrated market facilitating the cross-border offer of collective investment funds. Managing almost €6 trillion in assets, UCITS account for around 75% of all collective investments by small investors in Europe. UCITS are also regularly sold to investors outside the EU where they are valued due to their high level of investor protection. The Commission's proposed changes to the current UCITS rules is based on the experience from the financial crisis, so as to continue to ensure the safety of investors and the integrity of the market.

Next steps:

Following the vote in plenary, the adoption of UCITS V is subject to formal approval by the Council. The publication of the new rules in the European Union Official Journal is foreseen for the second quarter of 2014.

See also MEMO/14/298

More information:
http://ec.europa.eu/internal_market/investment/ucits-directive/index_en.htm

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