

UCITS Fund Distribution Reforms Would Benefit Investors and Markets

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Simplified Rules Would Reduce Investment Barriers, Improve the Flow of Capital

London, 4 October 2016—ICI Global urged the European Commission to reform cross-border fund distribution rules to promote greater harmonisation, which will in turn benefit investors and deepen the single European market for Undertakings for Collective Investment in Transferable Securities (UCITS).

ICI Global's filing responds to the Commission's consultation examining individual Member States' authorisation process, marketing definitions, and administrative requirements for a UCITS fund to enter their markets. Currently, Member States take divergent approaches that add cost and complexity for funds, discouraging cross-border distribution and investment.

"The UCITS authorisation and cross-border distribution process cries out for reform because it is too bureaucratic, cumbersome, and costly for funds and investors," said ICI Global managing director Dan Waters. "A simpler, more efficient, and consistent approach could be a game-changer for the EU economy and its investors, encouraging more investment and more investor choice."

Here are some key recommendations from ICI Global's filing with the Commission:

Reduce Complexity and Cost of Authorisation

Member State authorisation processes are not uniform. For example, regulators often use varying terms to identify the same item across jurisdictions. Greater supervisory coordination would encourage development and use of best practices and create a stronger, more efficient single market for UCITS funds.

Reform Marketing Notification and Communication Rules

ICI Global recommends the creation of a single, harmonised definition of “pre marketing” and “marketing” activities to provide funds with greater operational certainty and reduce regulatory compliance costs for funds and investors.

ICI Global also recommends a single filing system for investor notifications and documentation, such as the Key Investor Information Document (KIDD). The organization believes a harmonised marketing communications definition and a single set of communications content requirements—including in circumstances in which investors receive the information digitally—would offer fund investors numerous advantages and easier, more consistent information access. ICI Global suggests the Commission could model such an approach from the UCITS management company register used by the European Securities and Markets Authority (ESMA).

“The Commission should embrace reform and update the cross-border marketing and filing process to create a single filing hub housed within ESMA,” said Waters. “This would be a valuable innovation that enables funds and regulators to further use technology and reduce unhelpful, costly inefficiencies borne by funds and their investors.

Noting that harmonisation could take considerable time, ICI Global recommends that ESMA accelerate the pace of reform by adopting marketing guidelines that would be in effect until the Commission could act.

Harmonise Definitions and Administrative Processes

The final significant concern the organisation flags for reform is the cumulative, negative impact of Member States’ different administrative arrangements for UCITS marketing, such as variations in know your customer requirements. ICI Global asks the Commission to foster a more unified approach in this and other areas.

The Commission issued the consultation on barriers to cross-border distribution of funds as part of its initiative to unify and stimulate the European capital markets. ICI Global’s filing is available [here](#).

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