



LET'S TALK ABOUT...

FINANCIAL LEXICON EDITED BY THE SWISS ASSOCIATION OF ASSET MANAGERS

UCITS

This acronym of *Undertakings for Collective Investment in Transferable Securities* relates to the sets of directives which have been repeatedly issued by the European Union since 1985. They have been aimed at allowing mutual funds to operate more freely both in terms of their management and circulation within the member states, through defining minimum schemes and requirements, so that an authorized product in a certain state could be automatically proposed in all other markets with no further authorizations. Such minimum features were intended to assure transparency and investors' protection. However such goal was to be more theoretic than practical, and the common market of financial products – in this case mutual funds – has been far from actually implemented, because some states have issued further regulations in order to protect domestic managers and promoters. The process of harmonization went some steps ahead in the 90's with the so called UCITS II and UCITS III directives. The new rules introduced an "European passport" for management companies so to be allowed to operate throughout the Union, together with a "simplified prospectus" for the funds, so to make their composition and features accessible in a synthetic form, according to a unified and more comprehensible pattern. Moreover the range of authorized investments for the funds was widened, including derivatives and other new alternative vehicles. Finally, in January 2009, the latest UCITS IV rules were approved, allowing a fund which is placed and authorized in a certain country to be managed by an institution domiciled abroad within the Union, if it satisfies certain requirements and operates under combined prudential supervisions. A new document is introduced, the "*key investor information*", in place of the previous simplified prospectus, with all essential data – such as risk level, fees and expenses, investment policy – which the client must consider before subscribing and should know in making comparisons with other similar instruments. Of course such directives also apply to Swiss operators, were they to place their funds in the European markets, and indeed many traditional and alternative funds have been "adapted" in order to comply with the UCITS rules, in their IV version too. - *GLT*

The views expressed are not necessarily those of the Swiss Association of Asset Managers
