

## UCITS VI – What is it and what does it mean for your firm?

### Who is affected?

Asset managers and Depositary Banks

### Summary

In late-July 2012, just 2 weeks after the release of UCITS V, the European Commission released a paper outlining further ideas as to how the UCITS Directive could be improved, proposing UCITS VI. The Undertakings for Collective Investment in Transferable Securities (UCITS) Directive is a piece of European Union legislation designed to harmonise laws regarding depositary duties and liabilities across EU member states. Part VI of this Directive, known as UCITS VI, is currently at the consultation stage. VI basically comes on the back of regulators' concern about the management of liquidity and derivatives as potential sources of systemic risk. As a result, a form of UCITS VI looks to coming quicker than expected.

### Implications for Asset Managers and Depositary Banks

UCITS VI covers different areas from UCITS V. The eight key topics it covers are:

- Eligible assets and the use of derivatives – including possible limitations on the scope of eligible derivatives
- Efficient portfolio management techniques – covering issues such as eligibility, liquidity and diversification
- Over-the-counter (OTC) derivatives – including how these relate to UCITS limits on counterparty risk
- Extraordinary liquidity management rules – including an examination of the feasibility of a common framework for handling liquidity bottlenecks
- Depositary passport – whether to introduce one and how this would work
- Money market funds – examining the issue of systemic risk and asking whether harmonised laws across EU member states are required in this area
- Long-term investments – looking at topics such as access for retail investors, the proportion of a fund's portfolio that should be dedicated to long term investments, and diversification rules
- Improvements to the UCITS IV framework – especially concerning the situation where an ordinary UCITS converts into a feeder UCITS, or where a master UCITS changes.

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Contact: +44 (0)203 696 2568

Andrew Frost, Director Investment Management Solutions  
(afrost@lawsonconner.com)

Gerhard Grueter, Managing Director  
(ggrueter@lawsonconner.com)

Jurgen Gebhard, Managing Director  
(jgebhard@lawsonconner.com)

Steve Robertson, COO  
(srobertson@lawsonconner.com)

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## This is what you need to do

Asset Managers need to review their existing remuneration policies. This will affect the firm's regulatory obligations for adequate processes, systems & control.

Depository Banks need to assess the impact of the new rules on depository safe keeping, delegation and liability rules.

Both firms need to analyse the new sanction regime in particular with regards to risk and reporting.

## Timeline

It is still unclear as to when the UCITS VI rules will be implemented.

## How we can help

Lawson Conner has worked extensively with our clients to assess the impact of regulatory change, in particular UCITS provisions. We would be delighted to discuss our experience and how we can help asset managers meet these upcoming challenges. Lawson Conner's team of compliance professionals can assist you at every stage as you seek to comply with your UCITS obligations.

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Lawson Conner offers customised solutions in the areas of Fund Structuring, Outsourced Compliance, Global Regulatory Infrastructure, Fund Distribution, Regulatory Hosting, Appointed Representative Services and ManCo Services.

Solving our clients' most complex regulatory and compliance challenges is not only a fundamental goal but it is the reason why we exist. As a reliable and trusted partner, we create long term value by working with passion, expertise and unparalleled commitment to the industry and our clients.

**How can we assist you today?**

## How to get in touch



London (HQ)	Singapore (Asia Hub)	New York	Boston	Hong Kong
134 Buckingham Palace Road, London, SW1W 9SA United Kingdom	Marina Bay Financial Centre, Tower 2, Level 39 10 Marina Boulevard, 018983, Singapore	30 Wall Street 8th Floor New York, NY 10005 United States of America	Ten Post Office Square, 8th Floor, Boston, MA 02109 United States of America	Time Square Tower 2, 1 Matheson Street Causeway Bay, Hong Kong
P: +44 207 305 5810 E: afrost@lawsonconner.com	P: +65 31 637000 E: ejgebhard@lawsonconner.com	P: +1 646 566 9965 E: eggrueter@lawsonconner.com	P: +1 617 939 9599 E: boston@lawsonconner.com	P: +852 5 8083812 E: ejgebhard@lawsonconner.com

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