



Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	1998/0242(COD) Procedure completed
Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)	
Repealed by 2008/0153(COD)	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		13/09/1999
		ELDR SCHMIDT Olle	
	Former committee responsible		
	JURI Legal Affairs, Citizens' Rights		23/09/1998
		UPE CROWLEY Brian	
European Parliament			
	ECON Economic and Monetary Affairs		13/09/1999
		ELDR SCHMIDT Olle	
	Former committee for opinion		
	JURI Legal Affairs and Internal Market		23/09/1999
		UEN CROWLEY Brian	
European Parliament			
	ECON Economic and Monetary Affairs, Industrial Policy		28/10/1998
		PSE KUCKELKORN Wilfried	
	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2393	04/12/2001
	Economic and Financial Affairs ECOFIN	2353	05/06/2001
Economic and Financial Affairs ECOFIN	2329	12/02/2001	
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union		

Key events			
17/07/1998	Legislative proposal published	COM(1998)0451	Summary
14/09/1998	Committee referral announced in		

	Parliament, 1st reading		
21/04/1999	Vote in committee, 1st reading		
21/04/1999	Committee report tabled for plenary, 1st reading	A4-0233/1999	
25/01/2000	Vote in committee, 1st reading		Summary
25/01/2000	Committee report tabled for plenary, 1st reading	A5-0025/2000	
17/02/2000	Debate in Parliament		
17/02/2000	Decision by Parliament, 1st reading	T5-0057/2000	Summary
30/05/2000	Modified legislative proposal published	COM(2000)0331	Summary
12/02/2001	Debate in Council	2329	
05/06/2001	Council position published	07550/1/2001	Summary
05/07/2001	Committee referral announced in Parliament, 2nd reading		
10/10/2001	Vote in committee, 2nd reading		Summary
10/10/2001	Committee recommendation tabled for plenary, 2nd reading	A5-0324/2001	
22/10/2001	Debate in Parliament		
23/10/2001	Decision by Parliament, 2nd reading	T5-0541/2001	Summary
04/12/2001	Act approved by Council, 2nd reading		
21/01/2002	Final act signed		
21/01/2002	End of procedure in Parliament		
13/02/2002	Final act published in Official Journal		

Technical information

Procedure reference	1998/0242(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealed by 2008/0153(COD)
Legal basis	Rules of Procedure EP 050; EC Treaty (after Amsterdam) EC 047-p2
Stage reached in procedure	Procedure completed

Documentation gateway

Legislative proposal	COM(1998)0451 OJ C 272 01.09.1998, p. 0007	17/07/1998	EC	Summary
Economic and Social Committee: opinion, report	CES0190/1999 OJ C 116 28.04.1999, p. 0001	24/02/1999	ESC	
Committee report tabled for plenary, 1st	A4-0233/1999	21/04/1999	EP	

reading/single reading		OJ C 279 01.10.1999, p. 0007			
Committee report tabled for plenary, 1st reading/single reading		A5-0025/2000 OJ C 339 29.11.2000, p. 0005	25/01/2000	EP	
Text adopted by Parliament, 1st reading/single reading		T5-0057/2000 OJ C 339 29.11.2000, p. 0161-0228	17/02/2000	EP	Summary
Modified legislative proposal		COM(2000)0331 OJ C 311 31.10.2000, p. 0273 E	30/05/2000	EC	Summary
Council position		07550/1/2001 OJ C 297 23.10.2001, p. 0010	05/06/2001	CSL	Summary
Commission communication on Council's position		SEC(2001)1004	28/06/2001	EC	Summary
Committee recommendation tabled for plenary, 2nd reading		A5-0324/2001	10/10/2001	EP	
Text adopted by Parliament, 2nd reading		T5-0541/2001 OJ C 112 09.05.2002, p. 0028-0113 E	23/10/2001	EP	Summary
Commission opinion on Parliament's position at 2nd reading		COM(2001)0687	21/11/2001	EC	Summary

Additional information

European Commission

[EUR-Lex](#)

Final act

[Directive 2001/107](#)
[OJ L 041 13.02.2002, p. 0020-0034](#) Summary

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

OBJECTIVE: to amend the UCITS Directive (85/611/EEC) to update the rules on management companies. **SUBSTANCE:** With the aim of removing existing barriers to free cross-border marketing of units issued by collective investment undertakings (UCITS), the Commission has prepared a package of measures distributed in two separate proposals: one (proposal 1) focussing essentially on the 'product' (the types of investments funds), the other (proposal 2) focussing essentially on the 'service provider' (the management company) and on prospectuses for UCITS. The objective of proposal 2 is to reinforce the Single Market in the field of UCITS by: - updating the regulation for management companies and aligning it with that existing for other operators in the financial services area (banks, investment firms, insurance companies); operators in this sector would receive a European passport, which, in accordance with the principles of the Treaty, would allow them to set up branches in other Member States and to operate within the EU under the freedom to provide services; - revising the current restrictions which prevent management companies from engaging in activities other than the management of assets of common funds/unit trusts and investment companies (collective portfolio management); in the future, such companies will be permitted to provide, in addition to the collective portfolio management, individual portfolio management services (to single private or institutional investors, such as pension funds), as well as some specific non-core activities linked to the core-business; - identifying the functions comprised in the activity of collective portfolio management and defining the conditions under which such functions can be delegated to third parties; - modernising the information documents to be given to investors; the proposal introduces simplified prospectuses. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

The European Parliament adopted the report (co-decision procedure) by Mr. Olle Schmidt (ELDR, S) on a proposal for a European Parliament and Council directive amending Directive 85/611/EEC on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS). The scope of the Directive would be extended and the necessary conditions for the introduction of a 'European passport' for financial services. The Parliament's amendments seek to strengthen the protection of investors and concern the supervision and the relating to the percentage of investments offered by certain types of placements. One of the amendments adopted seeks to ensure that the new legislation is compatible with the existing Community Directive governing investment services. Several technical amendments were adopted. For example, the Parliament asks that UCITS which has adequate risk management controls may invest in financial derivative instruments, provided the investment in over-the-counter financial derivatives may not result in an

overall daily exposure measured by its mark to market value exceeding 30% of its total assets. Another amendment seeks to reduce the maximum amount of an investment in stock indices from 35%, as proposed by the Commission, to 20% in order to limit risk and ensure the respect of the principle of risk-spreading. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

In the light of developments in the European Parliament and the proceedings of the Council's Working Group, the Commission has drafted an amended proposal, the main amendments being the following: -the inclusion of OTC derivatives as eligible instruments requires reviewing the issue of ongoing capital requirements which were not included in the initial proposal. -the amended proposal raises the initial capital requirement to EUR 125 000. This is consistent with the provisions on capital adequacy for investment firms in Directive 93/06/EEC. -By the same reasoning, the amended proposal introduces further ongoing capital requirements. -on the delegation of management functions, Parliament's amendment intended to limit the application of the provision on delegation solely to the delegation of the core function of investment management. The Commission's amended proposal does not follow this limited approach. The proposed provision still applies to the possible delegation of one or several functions included in the broad activity of collective portfolio management, but the change makes the provision more operational by requiring prior information to the competent authorities only, instead of prior approval. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

In its common position, the Council has been able to incorporate fully, partly or in essence ten of the European Parliament's thirteen amendments at first reading. In particular, the Council agrees that higher capital requirements for management companies than those originally proposed are necessary. The Parliament's amendment, however, is too burdensome given that the assets of a UCITS engaged only in collective portfolio management must be entrusted to a depositary for safekeeping, and that it mainly operational risks that need to be covered. The Council has therefore struck a different balance between the need to ensure that management companies are adequately funded and the need to avoid placing an unduly heavy burden and unjustified restrictions upon management companies. One of the changes is that initial capital requirement is lowered to 125 000 rather than 150 000. There are further provisions on ongoing capital requirements. The common position concerning prudential rules contains a number of modifications to the Commission's amended proposal. Most of the amendments on delegation are accepted but redrafted. The Council is of the opinion that rules of conduct, which management companies have to observe at all times, should be drawn up in the interest of investors and in order to create a level playing field between management companies and investment companies. It has therefore added a new provision outlining the content of such rules, which are based on the rules of conduct for investment companies set out in the Investment Services Directive. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

The common position preserves the essence of the Commission's proposal: it lays down principles with regard to the criteria for taking up, and the conditions for pursuing, the business of management companies. It also preserves the maximum harmonisation approach to the introduction of the simplified prospectus as the only pre-contractual commercial document required in the host country. The common position takes account of the main amendments proposed by the Parliament. This is the case with the principle that a management's company's own funds must be adequate to the volume of assets for which it is responsible. The amended proposal has also been supplemented to a significant degree in the common position by new provisions concerning in particular the rules of conduct which management companies must follow and the set of rules applying to "self-managed" investment companies i.e. those that have not designated a management company. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

The European Parliament approved the resolution drafted by Mr Olle SCHMIDT (ELDR, S). (Please refer to the previous text). Commissioner Fritz BOLKESTEIN stated that he could accept the amendment in a spirit of compromise. He also added that the legislation was broadly supported by financial service industry. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

On second reading, the European Parliament adopted a single amendment to the Council's common position. The Commission has adopted this amendment. The amendment modifies the timeframe of an existing provision of the proposal, which would request the Commission to perform a review of capital requirements applying to UCITS management companies within five years from the entry into force, in order to align it with the timeframe laid down in the general review clause. Despite this shortening of the timeframe, the Commission can accept this amendment as a signal of strong commitment to monitor closely the implementation of the present UCITS proposal and propose any further initiatives that may be needed. ?

Collective investment transferable securities UCITS: management companies, simplified prospectuses (amend. Directive 85/611/EEC)

PURPOSE : to amend the UCITS Directive 85/611/EEC in order to update the rules on management companies. **COMMUNITY MEASURE** : Directive 2001/107/EC of the European Parliament and of the Council amending Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) with a view to regulating management companies and simplified prospectuses. **CONTENT** : the Directive contains harmonised rules relating to market access rules and operating conditions for such companies. The Directive stipulates that the competent authorities shall not grant authorisation to a management company unless : - the management company has an initial capital of at least EUR 125 000: - when the value of the portfolios of the management company, exceeds EUR 250 000 000, the management company shall be required to provide an additional amount of own funds. This additional amount of own funds shall be equal to 0,02% of the amount by which the value of the portfolios of the management company exceeds EUR 250 000 000. The required total amount of initial capital and the additional amount shall not, however, exceed EUR 10 000 000. Management companies may provide up to 50% of the additional amount of own funds if they benefit from a guarantee given by a credit institution or an assurance undertaking. The Directive provides specific rules for investment companies. The Directive also extends the range of activities which the management companies may be allowed to carry out. In the future, management companies may be authorised to carry out the activity of management of portfolios of investments on a client-to-client basis including the management of pension funds as well as some specific non-core activities linked to the main business. Lastly, with a view to the improving information to investors, the Directive introduces, a complete prospectus, a new type of prospectus for the UCITS (simplified prospectus). This prospectus should give basic information on UCITS in a clear way which is easily understood. It should always be offered free of charge to the subscribers before the conclusion of the contract. **ENTRY INTO FORCE** : 13/02/2002. **IMPLEMENTATION** : 13/08/2003. The Member States shall apply these measures no later than 13/02/2004.?