

Circular regarding the UCITS IV Directive

8th July 2010

This circular outlines the recent developments on the UCITS IV Directive. These relate to the adoption of the European Commission's Level II Implementing Measures and CESR's Level III Guidelines.

Level II - Implementing Measures

The European Commission ('Commission') has adopted four implementing measures in the form of two Directives and two Regulations. The implementation date is set for the 1st July 2011. These legal Acts cover the following areas:

[a] Key investor information: An Implementing Regulation covers the content and form of the key investor information document.

[b] Rules for the conduct of UCITS management companies: An Implementing Directive aligns organisational requirements and rules of conduct for investment firms with the standards already applied across much of the financial services industry through the Markets in Financial Instruments Directive. These rules also cover the prevention, management and disclosure of conflicts of interest. The Directive further obliges UCITS managers to employ sufficiently robust and effective procedures and techniques so that they are able to adequately manage the different types of risk the UCITS might face.

[c] UCITS mergers and master-feeder structures: An Implementing Directive details certain investor protection measures in relation to these asset pooling techniques, and establishes a common approach to the sharing of information between master and feeder UCITS. It also covers detailed rules on the liquidation, merger or division of a master UCITS.

[d] Notification procedure and supervisory co-operation: An Implementing Regulation sets out the details of standard documents and procedures to be used for electronic transmission in the notification procedure (used by a UCITS when it wishes to gain access to the market in another Member State).

The above-mentioned implementing measures have not yet been published. These will be uploaded on MFS A's web-page once published on the EU's Official Journal.

Level III – CESR Guidelines

[A] CESR’s Guidelines on the methodology for the calculation of the ongoing charges figure in the key investor information document

The CESR Guidelines sets the methodology for the calculation of the ongoing charges figure, which UCITS are required to calculate. It also aims at ensuring a harmonized approach to the calculation of this figure. The Guidelines were issued on the 1st July, 2010.

[B] CESR’s Guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the key investor information document

The CESR Guidelines were also issued on the 1st July, 2010. The guidelines stipulate the methodology for the calculation of the synthetic risk and reward indicator applicable to UCITS, details of which must be included in the key investor information document.

A copy of the above-mentioned CESR documents is available on the MFSA’s website (www.mfsa.com.mt) under the section ‘*Securities – UCITS IV*’.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact:

Christopher P. Buttigieg
Senior Manager
2548 5229
[**cbuttigieg@mfsa.com.mt**](mailto:cbuttigieg@mfsa.com.mt)

Antonella Mercieca
Manager
2548 5452
[**amercieca@mfsa.com.mt**](mailto:amercieca@mfsa.com.mt)