

Circular regarding the UCITS IV Directive

This circular outlines the recent developments on the UCITS IV Directive. These relate to the issue by CESR of four consultation documents outlining Level III Guidelines on the practical implementation of the requirements on the key investor information document ('KII').

Level III – CESR Guidelines

[A] CESR's Guidelines for the transition from the Simplified Prospectus to the KII – Consultation Document – [CESR/10 – 672]

In terms of article 118 of the UCITS IV Directive, Member States may allow management companies up to the 30th June 2012 to replace the simplified prospectus with the KII. The CESR guidelines (consultation document) in this area set out the approach, which management companies should apply during the transitional period in the following situations: [i] when making alterations to an existing simplified prospectus; [ii] when launching a new scheme or sub-fund; [iii] when introducing new share classes; [iv] when passporting a new or existing UCITS into another Member State; and [v] when carrying out a merger or setting up a master feeder structure.

[B] CESR's Guidelines on clear language and layout for the KII – Consultation Document – [CESR/10 – 532]

The CESR Guidelines (consultation document) on clear language and layout of the KII, have the purpose of assisting management companies in the drafting and designing of the KII. The document is divided into three main parts as follows: [i] Using plain language; [ii] Designing a KII; and [iii] Guidance for each section of the KII.

[C] CESR's template for the KII – Consultation Document – [CESR/10 – 794]

This consultation paper seeks stakeholder's views on a template for the KII. It stipulates the contents and layout that UCITS management companies will be expected to follow for a standard UCITS.

[D] CESR level III guidelines on the selection and presentation of performance scenarios in the KII – Consultation Document – [CESR/10 – 530]

The Guidelines on the selection and presentation of performance scenarios in the KII (consultation document) apply to UCITS, which provide investors with algorithm-based payoffs that are linked to the performance or the realization of price changes or other conditions, of financial assets, indices or reference portfolios ('structured UCITS'). These Guidelines have the purpose of ensuring a consistent and comparable practical implementation of the requirement to disclose prospective scenarios of potential performance in the KII.

MFSA encourages the Malta funds industry to participate in the CESR consultation process by considering the questions set out in the consultation papers and sending their responses, by not later than the **10th September, 2010** via CESR's website (www.cesr.eu) under the section '*Consultations*'. The consultation papers indicate that all contributions received will be published following the close of the consultation, unless the respondent requests its submission to be confidential.

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*'.

Should you have any queries regarding the above, please do not hesitate to contact Christopher P. Buttigieg, Senior Manager, Securities and Markets Supervision Unit, on 2548 5229, *e-mail*: cbuttigieg@mfsa.com.mt or Ms Antonella Mercieca Manager, on 2548 5452, *e-mail*: amercieca@mfsa.com.mt.

Communications Unit
21st July 2010