MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**European Parliament and Council back European Commission proposal for strengthened European rules on UCITS**

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On the 25 February 2014, the European Parliament and the Council backed the European Commission's proposal of July 2012 for a directive amending the UCITS Directive (2009/65/EC) with the aim of strengthening the protection of investors. The key elements of the agreement reached by the co-legislators are as follows:

(1) UCITS V strengthens the rules on eligible entities that can act as a depositary. Only national central banks, credit institutions and regulated firms with sufficient capital and adequate infrastructure will be eligible as UCITS depositaries and will hold for safe-keeping all UCITS assets.

(2) UCITS assets will be protected in the event of insolvency of the depositary through clear segregation rules and safeguards provided by the insolvency law of the Member States.

(3) The depositary's liability has been strengthened. The depositary will be liable for any loss of UCITS assets held in custody. The UCITS investors will always have the right of redress directly against the depositary and will not have to rely on the management company's ability to accomplish this task.

(4) Remuneration policies for all risk takers involved in managing UCITS funds have been introduced so that remuneration practices do not encourage excessive risk-taking and instead promote sound and effective risk management. The transparency of the remuneration practices will be enhanced. The remuneration policies are in line with those in the Alternative Investment Fund Managers Directive (2011/61/EC).

(5) The agreement strengthens the existing regime to ensure effective and harmonised administrative sanctions. The use of criminal sanctions is framed so as to ensure the cooperation between authorities and the transparency of sanctions. A harmonised system of strengthened cooperation will improve the effective detection of breaches of UCITS rules.

**Communications Unit**
**Malta Financial Services Authority**
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