



January 2014

Central Bank consults on a new UCITS Rulebook

On January 2, the Central Bank of Ireland (“Central Bank”) issued a Consultation Paper (CP 77) on the publication of a new UCITS Rulebook which, when issued in final form, will replace its current UCITS Notices and UCITS applicable Guidance Notes.

The Central Bank’s proposal is designed to consolidate into the UCITS Rulebook all of the conditions which it imposes on UCITS, on their management companies and on UCITS depositaries, in relatively similar format to that adopted for AIFs in its July 2013 AIF Rulebook. Residual UCITS related guidance will be published on the Central Bank website.

While the layout of the proposed UCITS Rulebook differs somewhat from the UCITS Notices, being broken down into dedicated Product, Management Company and Depositary chapters, the currently applied conditions are not in general changing. The process is principally one of clarification and elimination of duplication.

However, as part of this consultation, the Central Bank is considering three key changes, namely:

1. Removal of the Promoter Approval Process

Reflecting the position adopted for AIFs, the Central Bank is proposing to end imposing a promoter approval process for UCITS and to instead place reliance on the regulatory regime for UCITS management companies. At the same time, it proposes to elaborate on the obligations of directors when a UCITS gets into difficulties, again in similar fashion to its approach for AIFs.

For further information
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This development will be welcomed, particularly by UCITS sponsors who to date have had to hold and maintain net shareholders funds of Euro 635,000 to satisfy Central Bank Promoter Rules, often significantly in excess of what they are required to have under their home jurisdiction's regulatory requirements. It should also accelerate the UCITS authorisation process.

2. Changes to approach on Regulated Markets

UCITS are permitted to invest in transferable securities and financial derivative instruments which are admitted to or dealt in on regulated markets and on certain other stock exchanges.

The Central Bank's approach to whether a market meets the criteria for being a "regulated market" is currently outlined in its Guidance Note 1/96. Given certain duplication between that Guidance Note and the Eligible Assets Directive, the Central Bank is withdrawing that Guidance Note. As a result, it will no longer review submissions on proposed regulated markets and will no longer publish a list of permitted markets for UCITS.

Accordingly, it will be for UCITS investment managers to consider whether a particular market or exchange meets the UCITS Regulations "regulated markets" criteria.

3. Half Yearly Management Accounts

The Central Bank is also proposing to extend the current financial reporting requirements for UCITS management companies and depositaries by requiring the additional submission of half-yearly management accounts covering the second six months of the financial year.

The cut-off date for submissions in response to this Consultation Paper is March 28, 2014.

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