

UCITS IV

Integrated solution for cross-border
promoters of UCITS

November 2009

There is no doubt that UCITS IV is a real opportunity to increase the European market efficiency in the field of UCITS. Indeed, cross-border promoters of UCITS will be entitled, as from 1 July 2011, to (i) reduce the time-to-market of their new UCITS products in Europe, (ii) pool their fund ranges currently domiciled in different EU jurisdictions and (iii) rationalize their processes and centres of excellence more freely and easily. However, UCITS IV is only a tool-box offering different options at the disposal of cross-border promoters and any related decision should be based on an in-depth diagnostic of strategic, marketing, regulatory and tax drivers.

Background

Small size of European funds:

UCITS IV will favor restructurings and economies of scale by (i) facilitating domestic and cross-border mergers of UCITS irrespective of their legal forms (corporate or contractual) and (ii) allowing master-feeder structures, i.e. structures where a UCITS (the feeder) invests at least 85% of its assets into one other UCITS (the master).

Flexibility needs in organizing the industry value chain:

UCITS IV will enforce a full passport of the management company, allowing a management company approved by the regulator of one Member State and operating in that Member State to render collective portfolio management services to UCITS in another Member State.

Reduced time-to-market for cross-border UCITS:

UCITS IV will also reduce existing administrative barriers. A UCITS wishing to target investors in another Member State will have to deal with its home regulator only. The home regulator will not have more than 10 working days following submission of a formal request for cross-border distribution, in order to give its approval (or negative feed-back) on such request; upon reception of the home regulator's approval, the UCITS will be entitled to immediately start marketing activities in that other Member State.

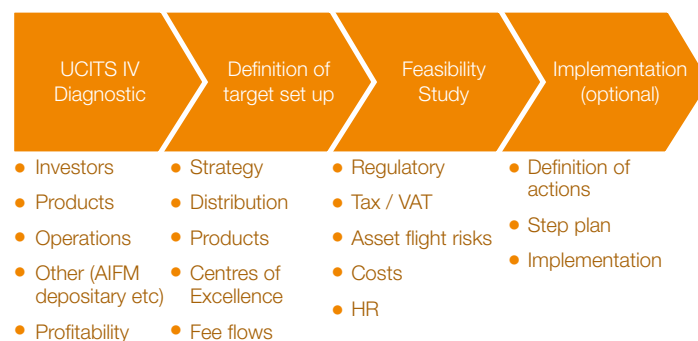
UCITS IV does however not cover tax aspects (which remain non-harmonized) and relates to UCITS only. Non-UCITS are out of the scope of UCITS IV and will consequently not benefit from the above described provisions.

Before making decision in connection with UCITS IV, an in-depth diagnostic of the existing promoters' products, distribution arrangements and infrastructures as well as of the existing and expected regulatory and tax environments is key. For that purpose, PricewaterhouseCoopers has developed a new integrated solution to help its clients in this complex decision-making process.

Our services

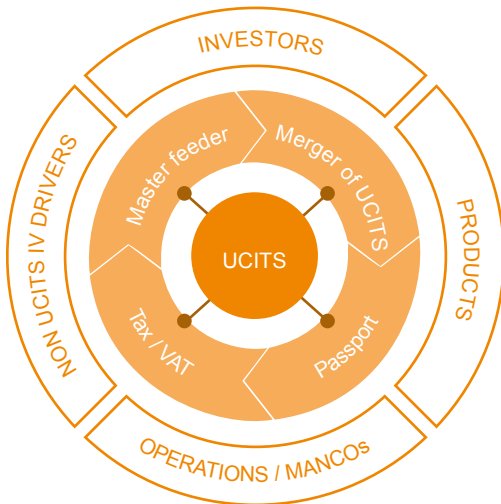
PricewaterhouseCoopers has designed a modular range of services in order to help you tackle UCITS IV-related issues, which can be easily customized to your products and organization.

UCITS IV diagnostic and definition of a target set-up



PricewaterhouseCoopers will perform a UCITS IV diagnostic which will provide a high level identification of the areas for optimization in your organization, in light of your product range, range of services offered and distribution constraints, as they will result from UCITS IV implementation. Other regulatory changes and constraints applicable to non-UCITS funds, will be considered in the analysis.

The four key dimensions and related key drivers highlighted in the chart below will be considered in the UCITS IV diagnostic.



A check list per key dimension (see examples in next column) will be used as a basis for the UCITS IV diagnostic. The check lists will be established by our UCITS IV dedicated team of experts, based on document analysis (fund prospectuses, etc.) and interviews with key representatives of your firm, which may include representatives of strategic departments, management companies, centres of excellence, product developers, distribution, etc.

We will then, based on the UCITS IV Diagnostic, assist in the definition of a target set up, which will include a pros and cons analysis associated to the various target set ups which may be envisaged. The chosen set up should mitigate marketing, regulatory, social and tax risks.

Implementation assistance

We may assist you in implementing the target set up by offering tailored-made incorporation, migration and global distribution services.

Benefits to your organization

- This PwC service is a fully integrated, cross-competencies and European-wide UCITS IV solution.
- It is a coherent approach that enables you to prioritize UCITS IV opportunities and ensures that all potential issues are revealed and properly addressed.
- You will concentrate on your strategy while benefitting from the experience and knowledge of a dedicated team focused on UCITS IV issues.

Investors / distributors



UCITS country of domicile	Country 1	Country 2	Country 3	etc
Key dimensions				
Retail / institutional				
Nationality				
AUM				
Investor volatility				
Product preferences				
Investor profitability				

Products



UCITS country of domicile	Country 1	Country 2	Country 3	etc
Key dimensions				
International recognition	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
Product flexibility (classes ...)	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
Time to market	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
...	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++

Operations / management companies



UCITS country of domicile	Country 1	Country 2	Country 3	etc
Key Dimensions				
Regulatory regime	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
Corporate tax	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
Costs	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
VAT	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
Substance	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++
...	--- 0 + ++	--- 0 + ++	--- 0 + ++	--- 0 + ++

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