



INTEGER WEALTH GLOBAL

UCITS - Undertakings for the Collective Investment in Transferable Securities

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What Is UCITS.?

This is the acronym for 'Undertakings for the Collective Investment in Transferable Securities' and is the European Commission's regulatory framework for managing and selling mutual funds. UCITS funds can be registered and sold in any country in the European Union using unified regulatory and investor protection requirements.¹

A UCITS is similar to a mutual fund in the U.S. They are registered in countries that belong to the European Union and regulated by the member states where they are registered. The European Commission publishes regular guidance for member regulatory authorities to follow to ensure these investment instruments are available and safe for EU citizens.

UCITS funds are perceived as safe and well-regulated investments. They are popular in Europe, South America, and Asia among investors who prefer not to invest in a single public limited company but rather among diversified unit trusts within their countries.²

According to the European Commission, they account for about 75% of all collective investments by small investors in Europe.³ Many mutual fund providers use an expression such as "UCITS-compliant" as part of their marketing strategy. While the funds are regulated in Europe, buyers from all over the world can invest in EU UCITS funds if allowed by their country's securities laws.

KEY TAKEAWAYS

UCITS stands for Undertakings for the Collective Investment in Transferable Securities.

It is a regulatory framework that allows for the sale of cross-boundary mutual funds for EU member states.

UCITS were created so that retail investors have transparent, regulated, and cross-border investment opportunities.

UCITS funds are perceived as safe and well-regulated investments and are popular among many investors looking to invest across Europe.

Undertakings for Collective Investment in Transferable Securities (UCITS): The European Commission's regulatory framework for managing and selling mutual funds.

UCITS Versions

UCITS versions use Roman numerals to indicate latest revisions. The first UCITS directive was adopted on Dec. 20, 1985, to facilitate cross-border offerings of investment funds to retail investors.⁴ In the early 1990s, proposals for modifications to the directive were made but never fully adopted. As such, there is no UCITS II.⁵

UCITS are not only available in the EU. Several other countries or regions have these instruments. South Africa, Latin America, and Australia also use UCITS as a framework for creating funds.

In 2002, following discussions among member countries, two new directives were adopted. Directives 2001/107/EC and 2001/108/EC, together known as UCITS III, broadened the investment spectrum of UCITS funds and relaxed some restrictions for index funds.⁶



UCITS IV, or Directive 2009/65/EC, brought about further technical changes and was adopted in July 2011.⁷

UCITS V, or Directive 2014/91/EU, which went into effect in March 2016, aligns fund depositories' duties and responsibilities and fund managers' remuneration requirements with those of the Alternative Investment Fund Managers Directive (AIFMD).⁸

UCITS VI, or Directive 2021/2261/EC, went into effect on Jan.1, 2023. This directive requires UCITS to provide a summary of the key elements in each fund. Most notably, this summary must explain the costs, risks, and potential for returns. The summaries are known as Key Information Documents (KID).⁹ If you buy into a UCITS through a broker, that broker doesn't manage the fund. It is managed by the company in the EU.

UCITS Directives

Not all directives receive a version number or designation. Sometimes, several are combined into the latest numbered version. Here are all of the proposed directives after 2009, with a short summary of their intent:

- Directive 2009/65/EC, July 13, 2009 (UCITS IV): The UCITS directive that was fully enacted; it receives updates through other directives.⁷
- Directive 2010/78/EU, Nov. 24, 2010: Gave more authority to financial regulators after the Great Financial Crisis of 2008 and amended various financial services laws. No longer in force.¹⁰
- Directive 2011/61/EU, June 8, 2011: Implemented common requirements for alternative investment fund managers (AIFM) in the EU.¹¹
- Directive 2013/14/EU, May 21, 2013: Established the authority of the EU Commission to adopt measures to reduce fund managers' over-reliance on credit ratings when selecting investments.¹²
- Directive 2014/91/EU, July 23, 2014 (UCITS V): Implemented policies to ensure sound and less risky practices involved in remunerations, depositories, and sanctions.⁸
- Directive (EU) 2019/1160, June 20, 2019: Amended 2009/65/EU to address issues affecting the cross-border distribution of UCITS and alternate investment funds.¹³
- Directive (EU) 2019/2034, Nov. 27, 2019: Established a framework to ensure "the prudential supervision of investment firms." Additionally, the directive gave guidance on ethical investment firm management and encouraged the creation of a mechanism for the exchange of information between member states.¹⁴
- Directive (EU) 2019/2162, Nov. 27, 2019: Established a framework for issuing covered bonds in the EU.¹⁵
- Directive (EU) 2021/2261, Dec. 15, 2021 (UCITS VI): Established criteria for publishing key information about UCITS.⁹
- What Does UCITS Mean In Stocks?
- Undertaking for collective investment in transferable securities (UCITS) is a regulatory framework for mutual funds in the European Union (EU). It governs how mutual funds are sold and managed.

What Is the Difference Between UCITS and ETF.?

An exchange-traded fund (ETF) that is UCITS compliant is a type of fund that abides by the UCITS framework for funds based and managed in the EU.

Can U.S. Citizens Invest in UCITS.?

Like many investments, you can buy UCITS funds through a broker that offers the service. U.S. citizens cannot invest in UCITS without using an authorized broker.



What Is the Difference Between UCITS and Non-UCITS.?

Non-UCITS funds do not comply with UCITS guidelines. They are likely not open-ended and liquid, one of the more significant requirements for a fund to be UCITS compliant.

The Bottom Line

Undertakings for collective investment in transferable securities is a regulatory framework in the European Union that creates standards for funds to follow. Mutual funds and similar investments following these guidelines are considered to be UCITS compliant, which means they are designed with retail investors in mind.

The standards were created to give EU member citizens investment instruments and opportunities that are transparent, regulated the same, and diverse.