

ECON Votes To Adopt Draft Reports on Cross-Border Distribution of Collective Investment Funds

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On December 4, the European Parliament's Economic and Monetary Affairs Committee (ECON) published a press release announcing that it has voted to adopt draft reports on the European Commission's legislative proposals for a Regulation and a Directive on the cross-border distribution of collective investment funds. ECON initially published the draft reports in September 2018.

The proposed Regulation sets out a harmonized framework concerning certain aspects of the cross-border distribution of funds, such as marketing communications and member states' marketing requirements. The proposed Directive contains amendments to the Undertaking for the Collective Investment in Transferable Securities (UCITS) Directive and the Alternative Investment Fund Managers Directive relating to, among other things, pre-marketing and the discontinuation of marketing. (For further details on the Regulation and Directive proposals.

In the press release containing the latest announcement, ECON highlights changes that it proposes to make to the EC's proposal, including:

- **Marketing:** communications targeted at small investors in funds should present a detailed account of risks, a summary of investors' rights and information about national collective redress mechanisms in case of litigation.
- **Pre-marketing:** pre-marketing of a fund, used to test the waters in a new country before it starts marketing activities, should not lead to any sales of investment units or shares. Moreover, prior to such activities, the manager should notify both its home Member State and the Member State in which the pre-marketing will take place.
- **De-notification:** an investment fund should be able to cease its activities in a host Member State under certain conditions. The fund should make an offer to repurchase all UCITS units

held by investors in such Member State, as well as make clear the consequences for investors, if they choose to continue to hold the units.

The press release is available [here](#).

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