

Press release

Nice, October 15, 2009

## **EDHEC welcomes the consultation paper on the UCITS depository function, but finds the European Commission timetable has been drawn up too hastily**

The European Commission is seeking to harmonise the UCITS depository function and to strengthen investor protection mechanisms. In a recent position paper by Noël Amenc, director of EDHEC-Risk Institute and professor of finance at EDHEC, and Samuel Sender, director of applied research at EDHEC-Risk, in response to the European Commission Consultation on the UCITS depository function of 15 September 2009, EDHEC expresses its approval of the consultation paper and stresses that:

- ❖ **An in-depth study of the regulations and practices of those who are part of the value chain (to which the consultation contributes) is necessary.** To take into account only the liability of the depository in the management of non-financial risks would be a design flaw in the regulation.
- ❖ **The assumption that investors must be fully protected from non-financial risk is not necessarily realistic and leads to false reassurances that may make investors overconfident and, as a result, increase risk.**
- ❖ **Domestic regulation of the custodianship of assets is no longer always suitable for new alternative asset classes.**
- ❖ As for the restitution obligation, it is possible to be held liable only for what is under one's control.
- ❖ **Above a protective floor offered to non-qualified investors, protection should be optional,** and this protection should be subject to a cost-benefit analysis;
- ❖ **Communication of both the degree and the cost of protection must be improved**—the protection should be described in the prospectus and non-financial risks, like financial risks, should be quantified in the key investor information document.

**EDHEC-Risk's response to the European Commission consultation paper is part of the research chair on risk and regulation in the European fund management industry, a chair sponsored by CACEIS.** The authors alone, not the sponsor, are responsible for any errors or omissions.

The position paper "A Welcome European Commission Consultation on the UCITS Depository Function, a Hastily Considered Proposal" can be downloaded by pressing [Ctrl] and clicking on the following link:

[http://docs.edhec-risk.com/mrk/000000/Press/EDHEC\\_Position\\_Paper\\_Welcome\\_EC\\_Consultation.pdf](http://docs.edhec-risk.com/mrk/000000/Press/EDHEC_Position_Paper_Welcome_EC_Consultation.pdf)

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**About EDHEC**

EDHEC Business School, founded in 1906 and among the select few institutions to have garnered international recognition through the triple crown of EQUIS, AACSB and Association of MBAs accreditations, offers management education designed to meet the needs of companies. For the last four years, as part of its strategy for international excellence, EDHEC Business School has espoused an innovative research policy that takes into account the needs of companies and the market.

The aim of EDHEC-Risk is to produce research that meets the most stringent academic standards and to facilitate corporate use of this research. In partnership with large financial institutions, the research centre brings together 46 researchers and implements six industry-sponsored programmes and ten research chairs focusing on asset allocation and risk management in the traditional and alternative investment universes.

**About CACEIS**

CACEIS is a banking group dedicated to institutional and corporate clients. Through offices across Europe, North America and Asia, CACEIS delivers a comprehensive set of high quality services covering:

- ❖ Depositary/Trustee-Custody
- ❖ Fund Administration and Transfer Agency
- ❖ Issuer Services

CACEIS is one of the world's leading Asset Servicing providers and is the premier player in the European-domiciled fund market. In recent years, CACEIS has posted impressive growth figures driven by strong sales and targeted acquisitions in the North American, German and Swiss markets. Our services combine powerful IT systems, an innovative product range and expert staff to assist clients in achieving their international business development goals.

**Key Figures:**

- ❖ Assets under Custody: €2,172bn / Assets under Administration: €1,008bn (As at August 31, 2009)
- ❖ Standard & Poor's: AA-/A-1+
- ❖ 3,730 employees
- ❖ Offices in 11 countries

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