

Mr. Eddy Wymeersch
Chairman
CESR
11-13 avenue de Friedland
F-75008 Paris

Luxembourg, October 15 2008

Ref. CESR Consultation paper on the UCITS Asset Management Company Passport

Dear Sir,

The Directors' Office – the “Company” – made its initial submission on 21 August 2008 in respect of the Call for Evidence on the Request for Advice to CESR on the UCITS Asset Management Company Passport. We are now pleased to give further comments on the Consultation paper dated September 2008.

Firstly, allow us to remind you that our Company has been incorporated in Luxembourg as a CSSF-regulated company with the primary objective to provide to individual funds' directors the required professional resources and infrastructure enabling them to better perform their oversight and governance duties, particularly within the framework of the European Commission UCITS III Directive on investment funds. Our Company is independently owned, and no financial relation exists between the Company and any CIS operator or service provider. The management and the associates of *The Directors' Office* participate in the works of several European and international professional bodies in the fields of investment and funds management, of risk management and of corporate governance.

Overall, we are in agreement with the advice contained in the Consultation paper. Our comments will therefore be limited to areas where we would seek clarification or have general observation which we would like to share with you.

Box 1. Management Company

Explanatory text 3

Clarification would be useful here. Does this note mean that a management company will only be able to obtain a passport to manage funds in other jurisdictions, if it already manages UCITS funds in its home jurisdiction? It is possible to envisage a management company which has UCITS in various jurisdictions, but not in the jurisdiction of its Registered Office/Head Office.

Box 2. UCITS

There is no mention of the potential tax issues, eg in respect of potential redomiciliation, which could arise in the case of a contractual type fund having its management company based in a different jurisdiction from the UCITS it manages.

We believe that additional criteria should be set to define the domicile of contractual funds, eg a requirement for some board members based in the Home State of the UCITS.

Box 3. Local point of contact in case of common funds

Explanatory text 3

Entities eligible for the role of local point of contact are listed. Is this an exhaustive list, or would other regulated or non-regulated entities be eligible depending on the nature of the local market, eg administration or domiciliation companies?

Explanatory text 4-5

The depositary or any other entity taking on the role of local point of contact will inevitably consider this role as increasing their costs and their liabilities. If a unit holder's interests are damaged because it fails to fulfill its role, then they should have recourse to it and/or to the Management Company which has appointed it.

We believe that a local point of contact is a necessary but not sufficient in the case of a contractual type UCITS with an overseas Management Company. Points to consider further are the Board composition of the Management Company, as well as the potential liabilities of the point of contact.

We consider that the local point of contact could provide additional functions, eg administrative ones, such as maintenance of the unit-holder register.

Box 4. Depositary

We do not see an interest in harmonizing standard agreements between private sector depositaries and management companies in different jurisdictions. However, we do consider it of value to increase harmonization of the duties of depositaries and management companies in respect of UCITS. This would be definition bring more harmonization into agreements.

Box 5. Applicable law and allocation of responsibilities in the case of free provision of services

Explanatory text 10-11

Clarification is needed as to what extent delegation by the UCITS via its Management Company **and its Depositary** needs to be disclosed to the supervisory body of the UCITS and the investors. There may be a very long and complex chain of delegation, not just in respect of directly contracting service providers in the jurisdictions of the UCITS and the Management Company, but also several layers of delegated services to regulated and unregulated entities within and outside the European Union.

Box 10. Information flow between the management company, UCITS and depositary

Explanatory notes 3-6

These notes seem to be slipping in significant new rights and responsibilities on the part of the depositary of the UCITS, at least in certain jurisdictions, eg the obligation to verify the risk profile of the UCITS, as well as public disclosure documents, and the right to access Management Companies' books and records. This may conflict with the current role of the depositary in certain jurisdictions, hence our comments on harmonization of this under Box 4 above. There could also be cross-border data protection issues.

Box 11. Auditors

7. Any new regulations and related costs will inevitably find their way to investors. See our General Comment on costs below.

Box 13.

1. It is not clear what is meant by saying that neither the management company's nor the depositary's liability would be affected by the proposed changes. It seems clear that the duties of the depositary are likely to become more onerous, depending on their current nature in a particular jurisdictions (see our comments on Boxes 4, 9 and 10 above). The cross-border nature of the information flows will also increase the risks of the depositary and the management company not being able to meet their responsibilities effectively and on a timely basis.

General Comments:

1. Corporate Governance

It seems odd to us that so much time is devoted to the oversight by regulators, depositary banks and auditors, whereas there is no mention of the oversight role of the boards of corporate funds and of the management companies of contractual funds, as well as of the managers of local branches of management companies.

2. The nature of UCITS regulation

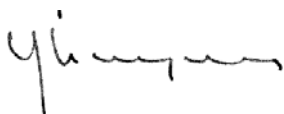
The introduction of the seemingly small, incremental step of permitting management companies to passport their services will clearly lead to significant changes in the nature of UCITS. There will be substantially more regulation of a more detailed type. Some of this should eventually lead to simplification through additional harmonization, if it is followed through to its logical conclusion (eg the role of the depositary, consistent risk management procedures etc.). Other aspects of it will lead to more complication, risk and cost in terms of cross-border communication and information flows, as summarized below.

3. Costs

It has been stated that one of the principal aims of this initiative is to reduce cost to end investors. Based on the current proposals this seems to be highly unlikely to be the case, despite the statement in Box 13.1. Indeed, in the short term there is likely to be significantly higher cost to all market participants. There will be substantial new regulation on the organization and operational conditions of management companies, delegation, cooperation between competent authorities and auditors, cross-border due diligence, databases, reports, and new multi-party agreements. All of this will likely bring with it new IT, operational and compliance costs, as well as new operational and compliance risks. Any justification of this initiative should therefore be on other grounds, such as the European Union objectives of the extension of the single market and the harmonization between related directives.

We highly appreciate the occasion given to us to comment on the Consultation paper on the UCITS Asset Management Company Passport. Should you wish to be provided with any further information or should you like to discuss further any issues, please don't hesitate to contact us.

Sincerely yours,



Yves Wagner
Member of the Board of Directors



Patrick Zurstrassen
Chairman of the Board of Directors.