



Ms Pamela Vulpes  
IOSCO General Secretariat  
Oquendo 12  
28006 Madrid  
Spain

12<sup>th</sup> October 2006

Dear Ms Vulpes,

### **Examination of Governance for Collective Investment Schemes. Part II**

The Depository and Trustee Association (DATA) represents all depositaries and trustees of UK-based authorised unit trusts and open-ended investment companies (OEICs). At the end of August 2006, the members of DATA were responsible for safeguarding £378.3 billion of funds under management.

We welcome the opportunity to comment on the further work undertaken regarding your Consultation Report on Examination of Governance for Collective Investment Schemes Part II. We acknowledge and support the Committee's objective to develop the primary general principle of independent review and oversight of CIS operators. In addition we support the desire to promote the establishment and the maintenance of consistently high regulatory standards. This objective is very much in line with DATA's own key objectives.

As indicated in the Investment Management Association's (IMA) response to the initial IOSCO paper on CIS Governance, submitted to Mr Philippe Richard in May 2005, the regulatory regime in the UK is super equivalent to the requirements of the European UCITS Directive in the area of independent oversight of CIS operators. The regulations in the UK prevent the depository/trustee and the CIS operator from being members of the same economic group. This takes the UCITS requirement that no single company may act as both CIS operator and depository a step further. We believe this is especially beneficial to CIS investors as it allows for clearer independence and separation of duties.

Having reviewed the detailed principles set out in the consultation document I can confirm we are in broad agreement with them. We also welcome your conclusion that each detailed example given may not be reflected in each and every jurisdiction and are dependent on the type of CIS used.

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The IMA's letter also refers to the joint review of the CIS governance arrangements in place in the UK, conducted by IMA and DATA. Since the publication of the final report in February 2005 the UK Industry has continued to work towards implementing these recommendations.

The most recent example of this has seen the FSA set out an industry wide challenge to develop a standard of good practice to mitigate their concerns raised over the use of dealing commissions and bundled brokerage arrangements and the effect this has on UK retail CIS. This is testament to the governance framework that already exists in the UK and its ability to adapt to changes without recourse to additional regulation. The development of an industry standard of good practice in this area should satisfy the expectation expressed in section IV.2 of the report.

We would be more than willing to talk to you or any of your colleagues about any of the points we have made, or indeed regarding any of the ongoing work in the UK in relation to CIS governance.

Yours sincerely,

David England  
Chairman of DATA